

TOWN OF ACTON, MASSACHUSETTS

Financial Statements

June 30, 2013

(With Accountants' Report Thereon)

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Town of Acton, Massachusetts
For the Year Ended June 30, 2013
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INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Acton
472 Main Street
Acton, MA 01720

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Acton, Massachusetts as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Acton, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of

Acton, Massachusetts as of June 30, 2013 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison statement, the retirement system schedules and the other post employment benefit schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Acton, Massachusetts' basic financial statements. The detailed schedule of revenues, expenditures and changes in fund balance – budget versus actual, the combining nonmajor fund financial statements and the combining fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The detailed schedule of revenues, expenditures and changes in fund balance – budget versus actual, the combining nonmajor fund financial statements and the combining fiduciary fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated February 7, 2014, on our consideration of the Town of Acton, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Acton, Massachusetts' internal control over financial reporting and compliance.

Giusti, Hingston and Company

Giusti, Hingston and Company

Certified Public Accountants

February 7, 2014

Town of Acton, Massachusetts
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2013

As management of the Town of Acton, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Acton, Massachusetts for the fiscal year ended June 30, 2013.

Financial Highlights – Primary Government

- The assets of the Town of Acton, Massachusetts exceeded its liabilities at the close of the most recent fiscal year by \$166,479,453 (*net position*). The majority (\$3,900,000) of the increase in the governmental activities was the result of a contribution of infrastructure assets (Canterbury Hill Road and Blueberry Path) reflected in the Statement of Activities as a capital grant.
- The government's total net position increased by \$4,741,903. The Governmental Activities increased by \$4,991,552. The business type activities decreased by \$249,649.
- At the end of the current fiscal year, unassigned fund balance in the general fund was \$9,959,734, or 11.9% of total general fund expenditures.
- The Town of Acton, Massachusetts' total long term debt decreased by \$533,405 or 1.4% during the current year. The change is attributed to an increase in the Governmental Activities (\$193,395 or 0.9%) and a decrease in the Business-type Activities (\$726,800 or 4.0%). A considerable amount of the Business-type activity debt will be funded by betterment revenues.

Overview of the Financial Statements – Primary Government

The discussion and analysis are intended to serve as an introduction of the Town of Acton, Massachusetts' basic financial statements. The Town of Acton, Massachusetts' basic financial statements consists of the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Acton, Massachusetts' finances, in a manner similar to private-sector business.

The Government-wide financial statements include the Town of Acton, Massachusetts (the Primary Government) and the Acton Community Housing Trust (a component unit for which the town is financially accountable).

The *statement of net position* presents information on all of the Town of Acton, Massachusetts' assets and liabilities, with the differences between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Acton, Massachusetts is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise of the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, state and other local revenues finance these activities.
- **Business-Type Activities** - Activities reported here are for sanitation, nursing services and sewer operations. User fees charged to the customers receiving services finance these activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Acton, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Acton, Massachusetts can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary funds. The Town of Acton, Massachusetts maintains three proprietary (enterprise) fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Acton, Massachusetts uses enterprise funds to account for its sanitation, nursing services and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each enterprise fund. All three funds are considered to be major funds of the Town of Acton, Massachusetts.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the statement of net position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements.

We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balances of governmental funds to the statement of activities.

A reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

Financial Analysis of the Government-wide Financial Statements

Net Position

Net position may serve over time as a useful indicator of a government's financial position. However, the net position of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are not, typically, used to finance costs related to business-type activities. Revenues of the business-type activities are generally used to finance the operations of the Sanitation, Nursing and Sewer enterprise funds.

The following table reflects the condensed net position for the past two fiscal years. The 2012 balances were adjusted to reflect the prior period adjustment.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 46,156,475	\$ 44,094,854	\$ 22,031,998	\$ 22,262,341	\$ 68,188,473	\$ 66,357,195
Capital Assets	138,062,809	134,365,516	18,708,317	19,435,478	156,771,126	153,800,994
Total Assets	<u>184,219,284</u>	<u>178,460,370</u>	<u>40,740,315</u>	<u>41,697,819</u>	<u>224,959,599</u>	<u>220,158,189</u>
Current Liabilities	4,060,361	4,328,054	965,932	920,936	5,026,293	5,248,990
Long Term Liabilities	36,397,607	35,362,552	17,056,246	17,809,097	53,453,853	53,171,649
Total Liabilities	<u>40,457,968</u>	<u>39,690,606</u>	<u>18,022,178</u>	<u>18,730,033</u>	<u>58,480,146</u>	<u>58,420,639</u>
Net Position:						
Invested in Capital Assets						
Net of Related Debt	117,924,183	113,033,388	1,122,317	1,122,678	119,046,500	114,156,066
Restricted	16,566,766	16,648,883	16,500,758	17,185,872	33,067,524	33,834,755
Unrestricted	9,270,367	9,087,493	5,095,062	4,659,236	14,365,429	13,746,729
Total Net Position	<u>\$ 143,761,316</u>	<u>\$ 138,769,764</u>	<u>\$ 22,718,137</u>	<u>\$ 22,967,786</u>	<u>\$ 166,479,453</u>	<u>\$ 161,737,550</u>

The net position of the Town increased by \$166,479,453. The net position of the governmental activities increased by \$4,991,552 or 3.6% and the net position of the business-type activities decreased by \$249,649 or 1.1%.

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net position has changed during the fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 3,589,139	\$ 3,686,647	\$ 2,142,215	\$ 2,085,279	\$ 5,731,354	\$ 5,771,926
Operating Grants and Contributions	14,151,048	13,545,478	927,166	957,512	15,078,214	14,502,990
Capital Grants and Contributions	4,524,343	-	100,759	87,530	4,625,102	87,530
General Revenues:						
Property Taxes	70,500,745	67,967,690	-	-	70,500,745	67,967,690
Motor Vehicle and Other Excises	2,823,357	2,568,195	-	-	2,823,357	2,568,195
Intergovernmental Not Restricted to a Specific Program	1,274,777	1,276,872	-	-	1,274,777	1,276,872
Other	497,145	680,511	-	-	497,145	680,511
Total Revenues	<u>97,360,554</u>	<u>89,725,393</u>	<u>3,170,140</u>	<u>3,130,321</u>	<u>100,530,694</u>	<u>92,855,714</u>
Expenses						
General Government	8,164,815	7,840,931	-	-	8,164,815	7,840,931
Public Safety	8,192,749	7,978,973	-	-	8,192,749	7,978,973
Education	59,827,670	58,736,652	-	-	59,827,670	58,736,652
Highways and Public Works	3,750,820	3,300,843	-	-	3,750,820	3,300,843
Human Services	2,681,919	1,821,505	-	-	2,681,919	1,821,505
Culture and Recreation	1,815,135	1,872,516	-	-	1,815,135	1,872,516
Employee Benefits and Insurance	6,912,937	8,555,932	-	-	6,912,937	8,555,932
Debt Service	853,957	784,868	-	-	853,957	784,868
Sanitation	-	-	663,877	727,553	663,877	727,553
Sewer	-	-	2,352,886	2,366,763	2,352,886	2,366,763
Nursing	-	-	568,026	614,531	568,026	614,531
Total Expenses	<u>92,200,002</u>	<u>90,892,220</u>	<u>3,584,789</u>	<u>3,708,847</u>	<u>95,784,791</u>	<u>94,601,067</u>
Increase (Decrease) in Net Position						
Before Special Items and Transfers	5,160,552	(1,166,827)	(414,649)	(578,526)	4,745,903	(1,745,353)
Special Items:						
Gain (Loss) Sale of Assets	(24,000)	(442,384)	20,000	-	(4,000)	(442,384)
Transfers In (Out)	(145,000)	573,894	145,000	(795,920)	-	(222,026)
Increase (Decrease) in Net Position	<u>\$ 4,991,552</u>	<u>\$ (1,035,317)</u>	<u>\$ (249,649)</u>	<u>\$ (1,374,446)</u>	<u>\$ 4,741,903</u>	<u>\$ (2,409,763)</u>

Governmental Activities

In fiscal year 2013, property taxes accounted for approximately 72% of the revenues. In fiscal years 2012 and 2011 they accounted for 76% and 76%, respectively, of the revenues. The change from prior years is the result of the significant capital grants in fiscal year 2013.

Business-type Activities

Enterprise fund rates are structured to cover all costs related to each activity.

Financial Analysis of the Town's Funds

Governmental Funds

General Fund – The year-end fund balances of the general fund were \$1,853,740 more than the prior year. In fiscal year 2012, the fund balances of the general fund increased by \$762,028.

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts Department of Revenue (DOR) determines the amount of general fund “fund balance” available for appropriation. In general, this amount (commonly known as “free cash”) is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

The Town's certified free cash as of July 1, 2013 was \$7,406,552.

The following table reflects the trend in all the components of fund balance and details the certified free cash for the previous six fiscal years.

<u>Fiscal Year</u>	<u>Reserved for Encumbrances</u>	<u>Reserved for Petty Cash</u>	<u>Designated for Subsequent Year's Expenditure</u>	<u>Unreserved</u>	<u>Total Fund Balance</u>
2008	\$ 3,186,756	\$ -	\$ 486,850	\$ 5,058,209	\$ 8,731,815
2009	3,353,740	-	1,167,330	5,347,611	9,868,681
2010	2,568,211	1,100	1,266,424	6,457,742	10,293,477

GASB 54 was implemented in fiscal year 2011. As a result the account titles of the components of fund balance changed as follows:

<u>Fiscal Year</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
2011	\$ 2,302,875	\$ 2,126,226	\$ 7,823,281	\$ 12,252,382
2012	2,013,918	1,308,583	9,691,909	13,014,410
2013	2,638,503	2,269,913	9,959,734	14,868,150

<u>Fiscal Year</u>	<u>Free Cash</u>
2008	\$ 2,454,644
2009	2,333,592
2010	4,650,574
2011	5,933,591
2012	7,080,410
2013	7,406,552

Proprietary Funds

Enterprise Funds. The Town of Acton, Massachusetts' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted Net Position of the Sanitation Enterprise Fund at the end of the year was \$2,776,949.
 Unrestricted Net Position of the Sewer Enterprise Fund at the end of the year was \$2,087,420.
 Unrestricted Net Position of the Nursing Enterprise Fund at year end was \$230,693.

General Fund Budgetary Highlights

Typically the differences between the original budget and the final amended budget are due primarily to special Town meetings and reserve fund transfers. The Town did not have any special Town meetings in fiscal year 2013. Since Town meeting authorizes a “bottom line” budget, transfers are not required to be made.

Capital Asset and Debt Administration

Capital assets. The Town of Acton, Massachusetts’ investments in capital assets for its governmental and business type activities as of June 30, 2013, amounts to \$156,771,126 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

Major capital asset events during the current fiscal year included the following:

- Canterbury Hill Road and Blueberry Path (\$3,900,000)
- Salt Storage Shed (\$618,600)
- Mack Truck (\$172,846)
- Bobcat (\$121,718)
- Goward Playground (\$120,655).

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 67,335,721	\$ 67,335,720	\$ 534,769	\$ 534,769	\$ 67,870,490	\$ 67,870,489
Buildings	29,561,386	29,810,908	6,351,767	6,693,056	35,913,153	36,503,964
Improvements Other Than Buildings	1,603,867	1,178,986	38,833	41,273	1,642,700	1,220,259
Infrastructure	36,156,113	32,740,805	11,418,812	11,810,430	47,574,925	44,551,235
Equipment	2,798,924	2,773,436	350,711	326,879	3,149,635	3,100,315
Vehicles	606,798	525,661	13,425	29,071	620,223	554,732
Total	<u>\$ 138,062,809</u>	<u>\$ 134,365,516</u>	<u>\$ 18,708,317</u>	<u>\$ 19,435,478</u>	<u>\$ 156,771,126</u>	<u>\$ 153,800,994</u>

Debt

The Town had \$38,939,305 in bonds, outstanding on June 30, 2013. This represents a \$533,405 or 1.4% decrease from the previous year.

The Town’s bond rating by Standard and Poor’s is AAA.

		<u>Outstanding Long Term Debt</u>	
<u>Governmental Activities</u>		<u>2013</u>	<u>2012</u>
General Obligation Bonds Payable	\$	21,353,305	\$ 21,159,910
 <u>Business-type Activities</u>			
Sewer		17,586,000	18,312,800
Total Debt	\$	<u>38,939,305</u>	<u>39,472,710</u>

Fiscal Year 2014 Budget

An initiative state statute, commonly known as “Proposition 2 ½”, limits the amount of property taxes that Town can assess in any one year. In general, the Town’s property tax levy may increase by 2 ½ percent over the prior year’s tax levy, plus any additional amount derived by new developments or other changes made to existing property (i.e “new growth”). If a community wishes to levy taxes above the limitations imposed by “Proposition 2 ½”, it is necessary to obtain the approval of a majority of the voters at an election.

The Town’s budget for fiscal year 2014 is \$90,718,366. Although the Town utilized reserves to help fund the 2014 budget, a healthy “free cash” balance remained as of June 30, 2013.

Town of Acton, Massachusetts
Statement of Net Position
June 30, 2013
(Continued on Page 12)

	Primary Government			Component Unit
	Governmental	Business - Type		Acton Community
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Housing Corporation</u>
Assets				
Current:				
Cash/Investments	\$ 32,307,130	\$ 7,991,889	\$ 40,299,019	\$ 115,998
Petty Cash	1,100	-	1,100	-
Accounts Receivable:				
Property Taxes	652,866	-	652,866	-
Tax Liens	1,166,636	-	1,166,636	-
Excises	283,950	-	283,950	-
User Charges	127,426	211,298	338,724	-
Special Assessments	96,919	735,610	832,529	-
Departmental	184,703	-	184,703	-
Intergovernmental	1,800,602	-	1,800,602	-
Liens	-	70,771	70,771	-
Due from Town of Acton			-	739,000
Other			-	18,000
Prepaid Expenditures	269,278	-	269,278	-
Noncurrent:				
Accounts Receivable:				
Intergovernmental	9,083,781	-	9,083,781	-
Deferred Property Taxes	182,084	-	182,084	-
Deferred Special Assessments	-	13,011,809	13,011,809	-
Other Post Employment Benefit Net Asset	-	10,621	10,621	-
Capital Assets:				
Assets Not Being Depreciated	67,335,721	534,769	67,870,490	-
Assets Being Depreciated, Net	70,727,088	18,173,548	88,900,636	-
Total Assets	<u>184,219,284</u>	<u>40,740,315</u>	<u>224,959,599</u>	<u>872,998</u>
Liabilities				
Current:				
Warrants Payable	546,117	57,193	603,310	-
Accrued Salaries Payable	270,232	7,597	277,829	-
Unclaimed Checks	39,205	-	39,205	-
Other Liabilities	123,832	-	123,832	5,201
Accrued Interest	305,953	119,142	425,095	-
Due to Component Unit	700,000		700,000	-
Bonds Payable	2,075,022	782,000	2,857,022	-
Noncurrent:				
Compensated Absences	1,840,779	27,094	1,867,873	-
Bonds Payable	19,278,283	16,804,000	36,082,283	-
Landfill Closure/Postclosure	55,000	-	55,000	-
Other	2,612,978	-	2,612,978	-
Other Post Employment Benefit Obligations	12,610,567	225,152	12,835,719	-
Total Liabilities	<u>40,457,968</u>	<u>18,022,178</u>	<u>58,480,146</u>	<u>5,201</u>

Town of Acton, Massachusetts
Statement of Net Position
June 30, 2013
(Continued from Page 11)

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u>	<u>Business - Type</u>	<u>Total</u>	<u>Acton Community</u>
	<u>Activities</u>	<u>Activities</u>		<u>Housing Corporation</u>
Net Position				
Invested in Capital Assets, Net of Related Debt	117,924,183	1,122,317	119,046,500	-
Restricted for:				
Debt Service	-	16,500,758	16,500,758	-
Special Revenue	12,901,743	-	12,901,743	-
Perpetual Funds:				
Expendable	1,727,614	-	1,727,614	-
Nonexpendable	1,937,409	-	1,937,409	-
Unrestricted	9,270,367	5,095,062	14,365,429	867,797
Total Net Position	<u>\$ 143,761,316</u>	<u>\$ 22,718,137</u>	<u>\$ 166,479,453</u>	<u>\$ 867,797</u>

Town of Acton, Massachusetts

Statement of Activities

Fiscal Year Ended June 30, 2013

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position							
	Program Revenues				Primary Government			Component Unit
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business	Total	Acton Community Housing Corporation
			Grants and Contributions	Grants and Contributions		Type Activities		
Primary Government:								
<i>Governmental Activities:</i>								
General Government	\$ 8,164,815	\$ 358,437	\$ 1,089,593	\$ -	\$ (6,716,785)	\$ -	\$ (6,716,785)	\$ -
Public Safety	8,192,749	1,503,328	92,813	-	(6,596,608)	-	(6,596,608)	-
Education	59,827,670	882,912	11,806,242	206,660	(46,931,856)	-	(46,931,856)	-
Highways and Public Works	3,750,820	6,013	502,932	4,317,683	1,075,808	-	1,075,808	-
Human Services	2,681,919	442,286	514,338	-	(1,725,295)	-	(1,725,295)	-
Culture and Recreation	1,815,135	396,163	139,855	-	(1,279,117)	-	(1,279,117)	-
Employee Benefits and Insurance	6,912,937	-	-	-	(6,912,937)	-	(6,912,937)	-
Debt Service	853,957	-	5,275	-	(848,682)	-	(848,682)	-
Total Governmental Activities	92,200,002	3,589,139	14,151,048	4,524,343	(69,935,472)	-	(69,935,472)	-
<i>Business-Type Activities:</i>								
Sanitation	663,877	671,029	10,736	-	-	17,888	17,888	-
Sewer	2,352,886	930,586	915,546	100,759	-	(405,995)	(405,995)	-
Nursing	568,026	540,600	884	-	-	(26,542)	(26,542)	-
Total Business-Type Activities	3,584,789	2,142,215	927,166	100,759	-	(414,649)	(414,649)	-
Total Primary Government	\$ 95,784,791	\$ 5,731,354	\$ 15,078,214	\$ 4,625,102	(69,935,472)	(414,649)	(70,350,121)	-
Component Units:								
Acton Community Housing Corporation	27,990	-	196	-	-	-	-	(27,794)
Total Component Unit	27,990	-	196	-	-	-	-	(27,794)
<i>General Revenues:</i>								
Property Taxes					70,500,745	-	70,500,745	-
Motor Vehicle and Other Excise Taxes					2,823,357	-	2,823,357	-
Penalties and Interest on Taxes					150,149	-	150,149	-
Other Taxes, Assessments and in Lieu Payments					12,046	-	12,046	-
Intergovernmental					1,274,777	-	1,274,777	-
Interest and Investment Income					96,587	-	96,587	-
Other Revenue					162,993	-	162,993	-
Contributions to Permanent Funds					75,370	-	75,370	-
Gain (Loss) on Disposal of Asset					(24,000)	20,000	(4,000)	-
Transfer In (Out)					(145,000)	145,000	-	-
Total General Revenues, Gains (Losses) and Transfers					74,927,024	165,000	75,092,024	-
Change in Net Position					4,991,552	(249,649)	4,741,903	(27,794)
Net Position:								
Beginning of the Year					138,795,641	22,967,786	161,763,427	895,591
Prior Year Adjustment					(25,877)	-	(25,877)	-
Beginning of the Year as Restated					138,769,764	22,967,786	161,737,550	895,591
End of the Year					\$ 143,761,316	\$ 22,718,137	\$ 166,479,453	\$ 867,797

Town of Acton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2013

(Continued on Page 15)

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash/Investments	\$ 14,866,274	\$ 6,004,286	\$ 11,436,570	\$ 32,307,130
Petty Cash	1,100	-	-	1,100
Accounts Receivable:				
Property Taxes	646,897	5,969	-	652,866
Tax Liens	1,160,229	6,407	-	1,166,636
Excises	283,950	-	-	283,950
User Charges	-	-	127,426	127,426
Deferred Property Taxes	182,084	-	-	182,084
Special Assessments	-	-	96,919	96,919
Departmental	5,825	-	178,878	184,703
Intergovernmental	10,093,091	-	791,292	10,884,383
Prepaid Expenditures	269,278	-	-	269,278
Tax Foreclosures	250,341	-	-	250,341
Total Assets	<u>\$ 27,759,069</u>	<u>\$ 6,016,662</u>	<u>\$ 12,631,085</u>	<u>\$ 46,406,816</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Warrants Payable	\$ 394,255	\$ 956	\$ 150,906	\$ 546,117
Accrued Payroll Payable	243,791	-	26,441	270,232
Unclaimed Checks	39,205	-	-	39,205
Due to Component Unit		200,000	500,000	700,000
Other Liabilities	-	-	(24,377)	(24,377)
Unearned Revenue:				
Property Taxes	480,232	5,969	-	486,201
Departmental	5,825	-	87,405	93,230
Deferred Property Taxes	182,084	-	-	182,084
Tax Liens	1,160,229	6,407	-	1,166,636
Excises	41,866	-	-	41,866
Special Assessment	-	-	96,919	96,919
Tax Foreclosures	250,341	-	-	250,341
User Charges	-	-	127,426	127,426
Intergovernmental	10,093,091	-	531,000	10,624,091
Total Liabilities	<u>12,890,919</u>	<u>213,332</u>	<u>1,495,720</u>	<u>14,599,971</u>

Town of Acton, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2013

(Continued from Page 14)

	<u>General</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Equity:				
Fund Balances:				
Nonspendable	-	-	1,937,409	1,937,409
Restricted	-	5,803,330	6,743,533	12,546,863
Committed	2,638,503	-	2,454,423	5,092,926
Assigned	2,269,913	-	-	2,269,913
Unassigned	9,959,734	-	-	9,959,734
Total Fund Balances	<u>14,868,150</u>	<u>5,803,330</u>	<u>11,135,365</u>	<u>31,806,845</u>
 Total Liabilities and Fund Balances	 <u>\$ 27,759,069</u>	 <u>\$ 6,016,662</u>	 <u>\$ 12,631,085</u>	 <u>\$ 46,406,816</u>

Town of Acton, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2013

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$ 69,402,044	\$ 809,920	\$ -	\$ 70,211,964
Tax Liens	78,900	-	-	78,900
Excises	2,829,935	-	-	2,829,935
Penalties and Interest	149,234	915	-	150,149
Licenses and Permits	198,738	-	86,515	285,253
Fees and Other Departmental	686,450	-	-	686,450
Intergovernmental	12,028,314	208,957	3,629,305	15,866,576
Charges for Services	27,144	-	2,363,037	2,390,181
Fines and Forfeits	119,031	-	-	119,031
Earnings on Investments	98,870	23,146	190,882	312,898
In Lieu of Taxes	12,046	-	-	12,046
Contributions	-	-	1,138,539	1,138,539
Miscellaneous	107,467	-	55,526	162,993
Total Revenues	<u>85,738,173</u>	<u>1,042,938</u>	<u>7,463,804</u>	<u>94,244,915</u>
<u>Expenditures:</u>				
Current				
General Government	5,702,485	1,102,517	962,002	7,767,004
Public Safety	6,890,171	2,664	1,085,226	7,978,061
Education	56,280,141	-	3,089,733	59,369,874
Intergovernmental	301,874	-	-	301,874
Highways and Public Works	2,807,625	-	1,363,108	4,170,733
Human Services	1,655,249	10,595	1,176,264	2,842,108
Culture and Recreation	1,309,448	1,940	696,390	2,007,778
Employee Benefits and Insurance	5,606,493	-	-	5,606,493
Debt Service	2,867,739	-	-	2,867,739
Total Expenditures	<u>83,421,225</u>	<u>1,117,716</u>	<u>8,372,723</u>	<u>92,911,664</u>
Excess of Revenues Over (Under) Expenditures	<u>2,316,948</u>	<u>(74,778)</u>	<u>(908,919)</u>	<u>1,333,251</u>
Other Financing Sources (Uses):				
Operating Transfers In	32,792	-	407,827	440,619
Operating Transfers (Out)	(496,000)	-	(89,619)	(585,619)
Proceeds from Bonds	-	-	2,093,652	2,093,652
Total Other Financing Sources (Uses)	<u>(463,208)</u>	<u>-</u>	<u>2,411,860</u>	<u>1,948,652</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>1,853,740</u>	<u>(74,778)</u>	<u>1,502,941</u>	<u>3,281,903</u>
Fund Balance, Beginning	13,014,410	5,878,108	9,658,301	28,550,819
Prior Period Adjustment	-	-	(25,877)	(25,877)
Fund Balance, Beginning as Restated	13,014,410	5,878,108	9,632,424	28,524,942
Fund Balance, Ending	<u>\$ 14,868,150</u>	<u>\$ 5,803,330</u>	<u>\$ 11,135,365</u>	<u>\$ 31,806,845</u>

Town of Acton, Massachusetts
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
Fiscal Year Ended June 30, 2013

Total governmental fund balances	\$ 31,806,845
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	138,062,809
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned in the funds.	13,068,794
Amount included in Unearned Revenue for tax foreclosures. The tax foreclosures are included as capital assets (not accounts receivable) on the Statement of Net Position.	(250,341)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds Payable	(21,353,305)
Accrued Interest on Bonds	(305,953)
Compensated Absences	(1,840,779)
Other Liabilities	(2,761,187)
Landfill Closure/Postclosure Costs	(55,000)
Other Post Employment Benefit Obligations	(12,610,567)
Net Position of governmental activities	<u><u>\$ 143,761,316</u></u>

Town of Acton, Massachusetts
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Fiscal Year Ended June 30, 2013

Net change in fund balances - total governmental funds	\$ 3,281,903
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This represents the amount by which difference between capital outlay and capital contributions exceeded depreciation in the current period..	3,721,293
In the statement of activities, the disposition of capital assets and accumulated depreciation (net) impacts the financial statements. The disposition does not impact the governmental funds.	(24,000)
Revenues in the Statement of Activities that do not provide current financial resources are fully unearned in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unearned revenue from the prior fiscal year.	(784,361)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount reflects the net effect of these differences in the treatment of long-term debt and related items.	(193,395)
Some expenses reported in the Statement of Activities, such as compensated absences, other post employment benefits payable and interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the change in these accounts from the prior fiscal year.	<u>(1,009,888)</u>
Change in net position of governmental activities	<u><u>\$ 4,991,552</u></u>

Town of Acton, Massachusetts
Proprietary Funds
Statement of Net Position
June 30, 2013

	<u>Sanitation</u>	<u>Sewer</u>	<u>Nursing</u>	<u>Total</u>
Assets				
Current:				
Cash and Cash Investments	\$ 2,774,956	\$ 4,904,239	\$ 312,694	\$ 7,991,889
Accounts Receivable, Net of Allowance for Uncollectible:				
User Charges	-	94,933	116,365	211,298
Special Assessments	-	735,610	-	735,610
Tax Liens	-	70,771	-	70,771
Noncurrent:				
Accounts Receivable:				
Deferred Special Assessments	-	13,011,809	-	13,011,809
Other Post Employment Benefit Net Asset	10,621	-	-	10,621
Assets Not Being Depreciated	435,300	99,469	-	534,769
Assets Being Depreciated, Net	<u>491,162</u>	<u>17,682,386</u>	<u>-</u>	<u>18,173,548</u>
 Total Assets	 <u>3,712,039</u>	 <u>36,599,217</u>	 <u>429,059</u>	 <u>40,740,315</u>
 Liabilities				
Current:				
Warrants Payable	952	42,917	13,324	57,193
Accrued Wages Payable	1,050	-	6,547	7,597
Accrued Interest Payable	-	119,142	-	119,142
Bonds Payable	-	782,000	-	782,000
Noncurrent:				
Bonds Payable	-	16,804,000	-	16,804,000
Compensated Absences	6,626	4,336	16,132	27,094
Other Post Employment Benefit Obligations	<u>-</u>	<u>62,789</u>	<u>162,363</u>	<u>225,152</u>
 Total Liabilities	 <u>8,628</u>	 <u>17,815,184</u>	 <u>198,366</u>	 <u>18,022,178</u>
 Net Position				
Invested in Capital Assets, Net of Related Debt	926,462	195,855	-	1,122,317
Restricted for:				
Debt Service	-	16,500,758	-	16,500,758
Unrestricted	<u>2,776,949</u>	<u>2,087,420</u>	<u>230,693</u>	<u>5,095,062</u>
 Total Net Position	 <u>\$ 3,703,411</u>	 <u>\$ 18,784,033</u>	 <u>\$ 230,693</u>	 <u>\$ 22,718,137</u>

Town of Acton, Massachusetts
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2013

	<u>Sanitation</u>	<u>Sewer</u>	<u>Nursing</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	\$ 671,029	\$ 929,611	\$ 540,600	\$ 2,141,240
Other Operating	-	975	-	975
Total Operating Revenues	<u>671,029</u>	<u>930,586</u>	<u>540,600</u>	<u>2,142,215</u>
Operating Expenditures:				
General Services	539,926	672,831	568,026	1,780,783
Depreciation	<u>123,951</u>	<u>727,448</u>	<u>-</u>	<u>851,399</u>
Total Operating Expenditures	<u>663,877</u>	<u>1,400,279</u>	<u>568,026</u>	<u>2,632,182</u>
Operating Income	<u>7,152</u>	<u>(469,693)</u>	<u>(27,426)</u>	<u>(489,967)</u>
Nonoperating Revenues (Expenses):				
Intergovernmental	-	737,374	884	738,258
Committed Interest	-	156,690	-	156,690
Special Assessments	-	100,759	-	100,759
Earnings on Investments	10,736	21,482	-	32,218
Gain on Disposal of Asset	20,000	-	-	20,000
Interest on Debt	-	(952,607)	-	(952,607)
Total Nonoperating Revenues (Expenses)	<u>30,736</u>	<u>63,698</u>	<u>884</u>	<u>95,318</u>
Income Before Contributions and Transfers	<u>37,888</u>	<u>(405,995)</u>	<u>(26,542)</u>	<u>(394,649)</u>
Capital Assets Transferred from Other Funds				
Operating Transfers In	-	-	175,000	175,000
Operating Transfers Out	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Total Contributions and Transfers	<u>(30,000)</u>	<u>-</u>	<u>175,000</u>	<u>145,000</u>
Change in Net Position	<u>7,888</u>	<u>(405,995)</u>	<u>148,458</u>	<u>(249,649)</u>
Total Net Position July 1, 2012	<u>3,695,523</u>	<u>19,190,028</u>	<u>82,235</u>	<u>22,967,786</u>
Total Net Position June 30, 2013	<u><u>\$ 3,703,411</u></u>	<u><u>\$ 18,784,033</u></u>	<u><u>\$ 230,693</u></u>	<u><u>\$ 22,718,137</u></u>

Town of Acton, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2013

	<u>Sanitation</u>	<u>Sewer</u>	<u>Nursing</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 671,029	\$ 923,024	\$ 496,637	\$ 2,090,690
Payments to Employees	(156,221)	(68,677)	(320,584)	(545,482)
Payments to Vendors	(387,310)	(565,200)	(227,162)	(1,179,672)
Net Cash Flows Provided (Used) by Operating Activities	<u>127,498</u>	<u>289,147</u>	<u>(51,109)</u>	<u>365,536</u>
Cash Flows from Non Capital Related Financing Activities:				
Transfer from Other Funds	-	-	175,000	175,000
Transfer to Other Funds	(30,000)	-	-	(30,000)
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(30,000)</u>	<u>-</u>	<u>175,000</u>	<u>145,000</u>
Cash Flows from Capital and Related Financing Activities:				
Intergovernmental Revenues	-	-	884	884
Special Assessments	-	990,628	-	990,628
Committed Interest on Special Assessments	-	156,690	-	156,690
Principal Payments on Bonds	-	(726,800)	-	(726,800)
Interest Expense	-	(250,226)	-	(250,226)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(104,238)</u>	<u>170,292</u>	<u>884</u>	<u>66,938</u>
Cash Flows from Investing Activities:				
Earnings on Investments	<u>10,736</u>	<u>21,482</u>	<u>-</u>	<u>32,218</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>10,736</u>	<u>21,482</u>	<u>-</u>	<u>32,218</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>3,996</u>	<u>480,921</u>	<u>124,775</u>	<u>609,692</u>
Cash and Cash Equivalents, July 1, 2012	<u>2,770,960</u>	<u>4,423,318</u>	<u>187,919</u>	<u>7,382,197</u>
Cash and Cash Equivalents, June 30, 2013	<u>\$ 2,774,956</u>	<u>\$ 4,904,239</u>	<u>\$ 312,694</u>	<u>\$ 7,991,889</u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 7,152	\$ (469,693)	\$ (27,426)	\$ (489,967)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	123,951	727,448	-	851,399
(Increase) Decrease in Assets:				
Accounts Receivable - Customer	-	(7,562)	(43,963)	(51,525)
Other Post Employment Benefits Asset	1,161			1,161
Increase (Decrease) in Liabilities:				
Warrants, Wages, Absence and Accounts Payables	(4,766)	31,241	(1,142)	25,333
Other Post Employment Benefits Liability	-	7,713	21,422	29,135
Net Cash Provided by Operating Activities	<u>\$ 127,498</u>	<u>\$ 289,147</u>	<u>\$ (51,109)</u>	<u>\$ 365,536</u>

Town of Acton, Massachusetts
Fiduciary Funds
Statement of Net Position
June 30, 2013

	Private-Purpose <u>Trust</u>	Agency <u>Funds</u>
Assets		
Cash and Cash Investments	\$ 573,928	\$ 1,003,273
	<hr/>	<hr/>
Total Assets	\$ 573,928	\$ 1,003,273
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
Warrants Payable	\$ -	\$ 450
Due to Component Unit	-	39,000
Other	-	963,823
	<hr/>	<hr/>
Total Liabilities	-	1,003,273
	<hr/>	<hr/>
Net Position		
Restricted for Other Post Employment Benefits	310,000	-
Expendable	204,299	-
Nonexpendable	59,629	-
	<hr/>	<hr/>
Total Net Position	\$ 573,928	\$ -
	<hr/> <hr/>	<hr/> <hr/>

Town of Acton, Massachusetts
Fiduciary Funds
Statement of Changes in Net Position
Fiscal Year Ended June 30, 2013

	Private Purpose <u>Trust</u>
Additions:	
Interest, Dividends, and Other	\$ 14,031
Total Additions	<u>14,031</u>
Deductions:	
Trust Distributions	<u>3,289</u>
Change in Net Position Before Transfers	<u>10,742</u>
Transfers In (Out):	
Operating Transfers In (Out)	<u>-</u>
Change in Net Position	<u>10,742</u>
Net Position:	
Beginning of the Year	<u>537,309</u>
Prior Period Adjustment	25,877
Fund Balance, Beginning as Restated	<u>563,186</u>
Ending of the Year	<u><u>\$ 573,928</u></u>

Town of Acton, Massachusetts
Notes to the Financial Statements
June 30, 2013

I. **Summary of Significant Accounting Policies**

The accounting policies of the Town of Acton, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2013, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

The more significant accounting policies of the Town are summarized below.

(A) **Reporting Entity**

The Town's basic financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. In addition, an entity is considered to be a component unit if the Town's financial statements would be misleading by excluding the entity.

Discretely Presented Component Unit

Based on the aforementioned oversight criteria, the Acton Community Housing Corporation (ACHC) was considered a component unit and included in the accompanying basic financial statements as a discretely presented component unit. The ACHC was created by Special Legislation enacted in 1996 "for the purpose of investigating and implementing alternatives for the provision of and to provide for affordable housing for persons of low, moderate and middle income and other persons whose needs may be determined from time to time". The Board of Directors of the ACHC (not less than five) is appointed by the Town of Acton, Board of Selectmen and are subject to the supervision of the Board of Selectmen.

(B) **Government-wide and fund financial statements**

The **government-wide financial statements** (i.e., the **statement of Net Position** and the **statement of activities**) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial

statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available as net current assets. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise taxes, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

The Town reports the following major governmental funds:

General Fund – This is the Town’s general operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Community Preservation Fund – This special revenue fund is used to account for the activities prescribed by the Community Preservation Act of the Massachusetts General Laws. Expenditures are allowed for affordable housing, historic preservation and the purchase of open space.

The Town reports the following major proprietary funds:

Sanitation Fund – This fund is used to account for the activities related to trash collection.

Sewer Fund – This fund is used to account for the activities related to the sewer system.

Nursing Fund – Activities related to the Town’s nursing program are accounted for in this fund.

(D) Assets, Liabilities and Net Position or Equity

i Deposits and Investments

The Town's cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust "MMDT". The Town may invest its trust funds in a wider variety of investment vehicles such as equities and bonds.

ii Property Taxes

The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. The Town bills property taxes on a quarterly basis. Quarterly payments are due August 1, November 1, February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1 of the next fiscal year.

The Town is permitted under state law to levy property taxes up to 2.5% of the full and fair cash value of the Town's property. In addition, the law limits the amount by which the property tax levy can be increased to 2.5% of the preceding year's levy plus any new growth.

iii Capital Assets

Capital assets, which include buildings/improvements, machinery and equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10- 40
Improvements (Other Than Buildings)	10-20
Infrastructure	40
Vehicles	5-15
Machinery and Equipment	5-15

iv. Fund Balance Classification Policies and Procedures

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*. This Statement (effective for fiscal year 2011) established accounting and financial reporting standards for all governmental funds. It, also, established criteria for classifying fund balances into specifically defined classifications.

Fund balance for **governmental** funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires that the fund balance amounts to be reported within one of the fund balance categories list below.

1. **Nonspendable**, includes amounts that cannot be spent because (a) they are not in spendable form (such as fund balance associated with inventories), or (b) they are legally or contractually required to stay intact (i.e. corpus of a permanent trust fund).
2. **Restricted**, constraints on the use of resources for specific purposes are imposed (a) by creditors, grantors or contributors, or (b) by law through constitutional provisions or through enabling legislation.
3. **Committed**, includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Selectmen and/or Town meeting (the Town's highest level of decision-making authority). Similar formal action by the Board of Selectmen and/or Town meeting is required in order to "reverse" the commitment or commit it for another purpose.
4. **Assigned**, intentions (by the Board of Selectmen, Town Administrator or Town Accountant) that resources are to be used by the government for specific purposes, but the restrictions do not meet the criteria necessary to be classified as restricted or committed.
5. **Unassigned**, the residual classification for the government's general fund. It includes all spendable amounts not contained in the restricted, committed or assigned categories. A "positive" unassigned may only be displayed in the general fund.

The Town has not formally adopted a policy for its use of unrestricted fund balance. Therefore, in accordance with GASB 54, it is considered that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the Town's balance sheet.

	<u>General Fund</u>	<u>Community Preservation</u>	<u>Non Major Funds</u>	<u>Total</u>
Fund Balances:				
Nonspendable:				
General Government	\$ -	\$ -	\$ 25,094	\$ 25,094
Public Safety	-	-	11,145	11,145
Education	-	-	15,000	15,000
Highways and Public Works	-	-	1,716,293	1,716,293
Human Services	-	-	30,000	30,000
Culture and Recreation	-	-	139,877	139,877
Total Nonspendable	<u>-</u>	<u>-</u>	<u>1,937,409</u>	<u>1,937,409</u>
Restricted for:				
General Government	-	5,803,330	1,945,512	7,748,842
Public Safety	-	-	1,521,102	1,521,102
Education	-	-	383,379	383,379
Highways and Public Works	-	-	1,727,506	1,727,506
Human Services	-	-	457,781	457,781
Culture and Recreation	-	-	708,253	708,253
Total Restricted	<u>-</u>	<u>5,803,330</u>	<u>6,743,533</u>	<u>12,546,863</u>
Committed to:				
General Government	869,898	-	1,185,320	2,055,218
Public Safety	12,340	-	218,682	231,022
Education	634,000	-	382,679	1,016,679
Highways and Public Works	499,352	-	93	499,445
Human Services	187,409	-	315,728	503,137
Culture and Recreation	3,504	-	351,921	355,425
Capital Outlay	432,000	-	-	432,000
Total Committed	<u>2,638,503</u>	<u>-</u>	<u>2,454,423</u>	<u>5,092,926</u>
Assigned to:				
General Government	956,230	-	-	956,230
Public Safety	105,947	-	-	105,947
Education	551,676	-	-	551,676
Highways and Public Works	567,740	-	-	567,740
Human Services	77,142	-	-	77,142
Culture and Recreation	11,178	-	-	11,178
Total Assigned	<u>2,269,913</u>	<u>-</u>	<u>-</u>	<u>2,269,913</u>
Unassigned				
Total Fund Balances	<u>9,959,734</u>	<u>-</u>	<u>-</u>	<u>9,959,734</u>
	<u>\$ 14,868,150</u>	<u>\$ 5,803,330</u>	<u>\$ 11,135,365</u>	<u>\$ 31,806,845</u>

v. Compensated Absences

The liabilities for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid accumulated annual vacation and sick leave benefits.

vi. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, **governmental fund types** recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and principal payments are recorded as expenditures. Issuance costs are reported as debt service expenditures.

vii. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

viii. Warrants Payable

The balance in this account consists of those warrants approved by the Selectmen for payment between July 1, 2013 and July 15, 2013. These warrants have been recorded as expenditures during the fiscal year ended June 30, 2013 and the corresponding credit is to the account entitled warrants payable.

II Stewardship, Compliance and Accountability

(A) Budgetary Information

i General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until April, which is when the annual Town meeting is held, to make any changes to the departmental requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process, the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances do not constitute expenditures or liabilities.

ii Budget Basis of Accounting

The final budget appearing in the required supplementary information section of the financial statements includes the fiscal year 2013 annual/Town meeting voted amounts adjusted for any special Town meeting votes applicable to fiscal 2013 and any transfers authorized by the Finance Committee.

The following reconciliation summarizes the differences between the budget basis and the Generally Accepted Accounting Principles (GAAP) basis (fund financial statements) for the year ended June 30, 2013.

As Reported Budget Basis	\$ 81,432,580
Adjustments:	
Sixty Day Accrual - Net	164,995
MWPAT Subsidies	7,559
On Behalf Payments Included in Intergovernmental	4,133,039
As Reported GAAP Statement	<u>\$ 85,738,173</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 79,280,627
Adjustments:	
MWPAT Subsidies	7,559
On Behalf Payments Included in Education	4,133,039
As Reported GAAP Statement	<u>\$ 83,421,225</u>

III Detailed Notes on All Funds

A. Deposits and Investments

i.) Deposits

a.) Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2013, \$11,151,946 of the Town's bank balance of \$38,588,769 was exposed to credit risk as follows:

Uninsured and Uncollateralized	<u>\$11,151,946</u>
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ii.) Investments

a.) As of June 30, 2013, the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>
Debt Related Securities:				
U.S. Treasuries	\$ 748,625	\$ -	\$ 748,625	\$ -
Corporate Bonds	<u>227,640</u>	<u>-</u>	<u>227,640</u>	<u>-</u>
Total Debt Related Securities	<u>976,265</u>	<u>-</u>	<u>976,265</u>	<u>-</u>

<u>Investment Type</u>	<u>Fair Value</u>
Other Investments:	
Money Market Funds	1,819,725
Equities	1,132,962
Mass. Municipal Depository Trust	<u>1,370,301</u>
Total Other Investments	<u>4,322,988</u>
 Total Investments	 <u>\$ 5,299,253</u>

b.) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

c.) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commonwealth of Massachusetts has an investment “legal list” which the Town follows. Massachusetts General Laws Chapter 44 Section 55 allows for the investment in beneficial shares of money market funds registered with the Securities Exchange Commission that have the highest possible rating from at least one nationally recognized rating organization. However, the Town does not have its own formal policy regarding credit risk.

d.) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Town does not have a formal policy regarding concentration risk.

B. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Government Activities:				
Assets Not Being Depreciated:				
Land	\$ 67,335,720	\$ 1	\$ -	\$ 67,335,721
Total Capital Assets not Being Depreciated	<u>67,335,720</u>	<u>1</u>	<u>-</u>	<u>67,335,721</u>

B. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Assets Being Depreciated:				
Buildings	43,061,696	702,000	-	43,763,696
Improvements Other Than Buildings	2,796,586	556,536	-	3,353,122
Infrastructure	43,279,229	4,317,683	-	47,596,912
Equipment	6,914,183	514,817	(5,799)	7,423,201
Vehicles	1,627,697	315,380	(90,000)	1,853,077
Total Capital Assets Being Depreciated	<u>97,679,391</u>	<u>6,406,416</u>	<u>(95,799)</u>	<u>103,990,008</u>
Less Accumulated Depreciation for:				
Buildings	(13,250,788)	(951,522)	-	(14,202,310)
Improvements Other Than Buildings	(1,617,600)	(131,655)	-	(1,749,255)
Infrastructure	(10,538,424)	(902,375)	-	(11,440,799)
Equipment	(4,140,747)	(489,329)	5,799	(4,624,277)
Vehicles	(1,102,036)	(202,243)	58,000	(1,246,279)
Total Accumulated Depreciation	<u>(30,649,595)</u>	<u>(2,677,124)</u>	<u>63,799</u>	<u>(33,262,920)</u>
Capital Assets Being Depreciated, Net	<u>67,029,796</u>	<u>3,729,292</u>	<u>(32,000)</u>	<u>70,727,088</u>
Governmental Activities Capital Assets, Net	<u>\$ 134,365,516</u>	<u>\$ 3,729,293</u>	<u>\$ (32,000)</u>	<u>\$ 138,062,809</u>

Depreciation expense was charged to functions as follows:

Government Activities:	
General Government	\$ 181,270
Public Safety	476,569
Education	647,310
Highways and Public Works	1,120,339
Human Services	64,527
Culture and Recreation	187,109
Total Governmental Activities Depreciation Expense	<u>\$ 2,677,124</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Assets Not Being Depreciated:				
Land	\$ 534,769	\$ -	\$ -	\$ 534,769
Total Capital Assets not Being Depreciated	<u>534,769</u>	<u>-</u>	<u>-</u>	<u>534,769</u>
Assets Being Depreciated:				
Buildings	10,185,166	-	-	10,185,166
Improvements Other Than Buildings	48,796	-	-	48,796
Infrastructure	15,760,086	-	-	15,760,086
Equipment	944,693	124,238	-	1,068,931
Vehicles	129,825	-	-	129,825
Total Capital Assets Being Depreciated	<u>27,068,566</u>	<u>124,238</u>	<u>-</u>	<u>27,192,804</u>

B. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Buildings	(3,492,110)	(341,289)	-	(3,833,399)
Improvements Other Than Buildings	(7,523)	(2,440)	-	(9,963)
Infrastructure	(3,949,656)	(391,618)	-	(4,341,274)
Equipment	(617,814)	(100,406)	-	(718,220)
Vehicles	(100,754)	(15,646)	-	(116,400)
Total Accumulated Depreciation	<u>(8,167,857)</u>	<u>(851,399)</u>	<u>-</u>	<u>(9,019,256)</u>
Capital Assets Being Depreciated, Net	<u>18,900,709</u>	<u>(727,161)</u>	<u>-</u>	<u>18,173,548</u>
Business-Type Activities Capital Assets, Net	<u>\$ 19,435,478</u>	<u>\$ (727,161)</u>	<u>\$ -</u>	<u>\$ 18,708,317</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Sanitation	\$ 123,951
Sewer	727,448
Total Business-Type Activities Depreciation Expense	<u>\$ 851,399</u>

C. Accounts Receivable

The accounts receivable on the combined balance sheet are listed below by levy.

Governmental Activities

Property Taxes Receivable:

Real Estate Taxes	
2013	\$ 588,564
2012	372
2011	9,072
2010	6,663
2009	9,158
2008	7,802
2007	<u>39</u>
Total Real Estate Taxes	<u>\$ 621,670</u>

C. Accounts Receivable (Continued)

Personal Property Taxes

2013	5,754
2012	3,507
2011	2,254
2010	1,845
2009	3,472
2008	4,136
2007	3,942
2006	<u>315</u>

Total Personal Property Taxes	<u>25,225</u>
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Other Property Taxes - Community Preservation

2013	5,785
2011	(74)
2010	71
2009	97
2008	<u>92</u>

Total Other Property Taxes - Community Preservation	<u>5,971</u>
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Total Property Taxes Receivable	<u>\$ 652,866</u>
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Tax Liens	<u>\$ 1,166,636</u>
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Excise Taxes Receivable:

Motor Vehicle Excise Taxes

2013	\$ 186,318
2012	24,238
2011	8,994
2010	8,924
2009	10,781
2008	10,006
2007	12,246
2006	13,850
2005	<u>8,593</u>

Total Excise Tax Receivable	<u>\$ 283,950</u>
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C. Accounts Receivable (Continued)

User Charges:

Ambulance	\$ 127,426
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Special Assessments:

Betterments	\$ 96,919
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Departmental:

Police Details - General Fund	\$ 5,825
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Police and Fire Details - Special Revenue Fund	70,205
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School Gifts & Donations	91,473
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Fire Alarm Network - Special Revenue Fund	17,200
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Total Departmental Receivable	\$ 184,703
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Intergovernmental:

Current:

Due from Commonwealth - Various Town Grants	\$ 164,496
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Due from Commonwealth - Various School Grants	155,374
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Due from Commonwealth - Highway Funds	471,422
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Massachusetts School Building Authority	1,009,310
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Total Intergovernmental - Current	\$ 1,800,602
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Noncurrent

Massachusetts School Building Authority	\$ 9,083,781
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Total Intergovernmental - Noncurrent	\$ 9,083,781
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Deferred Property Taxes:

Clause 41 A Deferrals	\$ 182,084
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Business Type Activities:

User Charges:

Sewer Rates	\$ 94,933
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Nursing	116,365
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Total User Charges	\$ 211,298
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C. Accounts Receivable (Continued)

Liens:

Sewer Betterment	\$ 57,187
Sewer Betterment Committed Interest	4,454
Sewer Operations and Maintenance	4,952
Sewer Lien	<u>4,178</u>

Total Utility Liens	<u>\$ 70,771</u>
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Special Assessments:

Sewer - Current	<u>\$ 735,610</u>
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Sewer - Noncurrent	<u>\$ 13,011,809</u>
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D. Debt

i Short Term Notes Payable

The Town's activity relating to short term debt instruments is detailed below:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>
Bond Anticipation Notes:				
School Roof	\$ 332,000	\$ -	\$ 332,000	\$ -
Total	<u>\$ 332,000</u>	<u>\$ -</u>	<u>\$ 332,000</u>	<u>\$ -</u>

ii Long Term Debt

General obligation bonds outstanding at June 30, 2013, bear interest at various rates.

(a) Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2013:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance 7/01/12	\$ 21,159,910	\$ 18,312,800	\$ 39,472,710
Add: New Issues	2,093,652	-	2,093,652
Less: Maturities	<u>(1,900,257)</u>	<u>(726,800)</u>	<u>(2,627,057)</u>
Balance 6/30/13	<u>\$ 21,353,305</u>	<u>\$ 17,586,000</u>	<u>\$ 38,939,305</u>

D. Debt (Continued)

(b) Summary of Debt Service Requirements to Maturity

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Prin</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$2,075,022	\$829,098	\$782,000	\$892,305
2015	2,091,370	754,375.00	803,800	863,198.00
2016	2,101,370	677,369.00	835,800	816,535.00
2017	2,121,370	601,231.00	862,800	770,564.00
2018	2,101,370	523,209.00	889,800	718,404.00
2019 - 2023	10,139,223	1,389,705	4,611,800	2,817,131
2024 - 2028	723,580	31,915	5,230,000	1,391,847
2029 - 2033	-	-	3,570,000	337,169
	<u>\$ 21,353,305</u>	<u>\$ 4,806,902</u>	<u>\$ 17,586,000</u>	<u>\$ 8,607,153</u>

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2013, are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
April 13, 1988	Bridge Construction	\$600,000
April 12, 1993	Fuel Tank	250,000
April 7, 1997	Title V Septic	25,695
April 6, 2009	School Roof Replacement	396,496
April 7, 2008	Conant Boiler	<u>226,420</u>
Total		<u>\$1,498,611</u>

iii Refunding of Long Term Debt

On November 1, 2009 the Town issued \$2,265,000 of general obligation refunding bonds with an average interest rate of 3.04% to advance refund \$2,325,000 of outstanding debt with an average interest rate of 4.88%. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased.

D. Debt (Continued)

(a) Changes in Cash Flow Requirements

<u>Fiscal Year</u>	<u>Existing Debt Principal & Interest</u>	<u>Refunding Bonds Principal & Interest</u>	<u>Difference Favorable (Unfavorable)</u>
2014	\$267,700	\$243,850	\$23,850
2015	256,950	230,450	26,500
2016	246,200	222,250	23,950
2017	225,450	201,100	24,350
2018	<u>210,200</u>	<u>185,400</u>	<u>24,800</u>
	<u>\$1,206,500</u>	<u>\$1,083,050</u>	<u>\$123,450</u>

E. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds. Operating transfers made during the year were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer (Out)</u>	<u>Total</u>
General	\$ 32,792	\$ (496,000)	\$ (463,208)
Non-Major Governmental	407,827	(89,619)	318,208
Enterprise - Business Type	175,000	(30,000)	145,000
	<u> </u>	<u> </u>	<u> </u>
Total Operating Transfer In/(Out)	<u>\$ 615,619</u>	<u>\$ (615,619)</u>	<u>\$ -</u>

IV Other Information

A. Pension Plans

a) Plan Description

The Town provides pension benefits to employees by contributing to the Middlesex Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Massachusetts. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits. The system is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. The report may be obtained by writing to Middlesex Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

Teachers and certain school administrators participate in the Massachusetts Teachers' Retirement System (MTRS). The Town does not contribute to the MTRS.

b) Funding Plan

Active members of the Middlesex Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contributions for the years ending June 30, 2013, 2012 and 2011 were \$2,755,584, \$2,629,169 and \$2,498,120 respectively, equal to the required contributions each year.

c) Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and Statement No. 45 (GASB 45), "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information that is required to be disclosed by GASB 43 and 45, is noted below. In addition, certain other Required Supplementary Information (RSI), is presented following the notes to the financial statements.

- a. **Plan Description.** In addition to providing pension benefits described above, the Town provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. Currently there are 359 active employees and 290 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.
- b. **Funding Policy.** The Town pays 50% of the total premiums for health insurance and life insurance policies. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time by local law or union agreements, within the constraints of Massachusetts General Laws.
- c. **Annual OPEB Cost and OPEB Obligation.** The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the Town, an amount that has been actuarially determined in accordance with the parameters of GASB #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual

OPEB cost for the fiscal year ended June 30, 2013, the amount contributed to the plan, and the Town's Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$2,593,560
Interest on Net OPEB Obligation	718,022
Adjustment to Annual Required Contribution	(545,936)
Annual OPEB Cost (Expense)	<u>2,765,646</u>
Contributions Made	<u>(1,428,906)</u>
Increase in Net OPEB Obligation	1,336,740
Net OPEB Obligation (NOO)- Beginning of Year	<u>11,488,358</u>
Net OPEB Obligation (NOO)- End of Year	<u><u>\$12,825,098</u></u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan and the net OPEB obligation for the past three years are as follows:

2011	\$4,110,130	29.7%	\$8,544,738
2012	\$4,348,834	32.3%	\$11,488,358
2013	\$2,765,646	51.7%	\$12,825,098

- d. **Funded Status and Funding Progress.** As of December 31, 2012, the most recent actuarial valuation date, the Actuarial Accrued Liability (AAL) for benefits was \$31,187,810, and the actuarial value of assets was zero, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$31,187,810.

Subsequent to the most recent valuation date, the Town adopted legislation and established an OPEB Trust Fund. The OPEB Trust Fund has a balance of \$310,000 as of June 30, 2013. It is reported with the Town's fiduciary funds.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

- e. **Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and considers the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 6.25 percent investment rate of return (previously 4.5%) and annual healthcare cost trend rates of 8.0 percent initially, reduced by decrements of 0.50% annually for 6 years to an ultimate rate of 5 percent per year. The actuarial value of assets is determined using market value. The UAAL is being amortized over a thirty year open amortization period.

B. On Behalf Payments

In accordance with Governmental Accounting Standards Board Statement Number 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," the Town is required to recognize, as income, certain payments made on behalf of the Town by the Commonwealth of Massachusetts. Specifically, the Commonwealth makes contributions to a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board (the "State Plan") on behalf of the Town's teaching employees. The Town is not legally required to contribute to the State Plan, which is fully funded by the Commonwealth.

For the fiscal year ended June 30, 2013, the Commonwealth paid \$4,133,039 to the State Plan on behalf of employees of the Town. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2013, or fund balance/net position at June 30, 2013.

C. Risk Financing

The Town is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, injuries to employees, employee's health and life and natural disasters.

Buildings are fully insured against fire, theft, and natural disaster (except for losses due to flood or earthquake) to the extent that losses exceeded \$1,000 per incident.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund.

The Town participates in a self-insurance pool for health care benefits. The pool includes the Town of Acton and the Acton-Boxborough Regional School District. The claims administration contract holds all participants jointly and severally liable for claims paid.

The pool provides health care coverage for all active and retired employees that qualify for and select health care coverage as an employee benefit. Active and retired employees participating in the pool pay a percentage of an estimated health insurance premium. The contribution percentage for active employees is 15%. All retired employees pay 50% of the established premium.

Health benefits include Master Health Plus, HMO Blue, and Medex offered by Blue Cross Blue Shield of Massachusetts, as well as Harvard Pilgrim HMO offered by Harvard Pilgrim Health Care. Blue Cross and Blue Shield and Harvard Pilgrim Health Care administer the claims program for the pool. The pool pays in a standard monthly amount towards claims incurred. Annually, actual claims payable, (or prepaid claims deposits) are established by adjusting for actual claims and estimated claims incurred but not reported. The pool's expenses are for actual claims incurred,

excess claims insurance coverage and administrative costs for the plan administrators. Excess claims insurance coverage is purchased to cover any medical claims in excess of \$110,000, to a lifetime maximum amount payable of \$4,000,000.

As of June 30, 2013, the Acton Health Insurance Trust had total assets of \$4,609,920, total liabilities of \$2,310,312 (including \$850,000 estimated benefits obligations), and a total net position of \$2,299,608.

D. Subsequent Year Authorizations

The Town's annual Town meeting was held on April 2, 2013 and a special Town meeting was held on June 3, 2013. Fiscal 2014 budgetary amounts which are not reflected in the accompanying financial statements will be financed by the following sources:

2014 Property Taxes, State Aid	
and Non-Property Tax Revenue	\$ 83,213,757
Enterprise Fund Revenues	2,132,530
Enterprise Fund Betterment Revenues	948,232
Enterprise Fund Retained Earnings	34,631
Community Preservation Fund Estimated Revenues	953,688
Community Preservation Fund - Fund Balance	1,110,000
General Fund Committed Fund Balance	1,326,000
Non-Major Funds - Estimated Revenues	595,621
Non-Major Funds - Fund Balance	403,907
	<u>\$ 90,718,366</u>

E. Significant Commitments

Encumbrances

Encumbrances for open purchase are reported as "assigned fund balance" unless the resources have already been restricted, committed or assigned for another purpose. The assigned fund balance in the general fund includes encumbrances of \$2,268,813.

F. Prior Period Adjustment

A prior period adjustment (\$25,877) was made to reallocate prior earnings on investments from the permanent funds to the fiduciary funds.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Acton, Massachusetts
Required Supplementary Information
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Fiscal Year Ended June 30, 2013

	Carried Forward from <u>Prior Year</u>	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Carried Forward to Subsequent <u>Year</u>	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>						
Property Taxes	\$ -	\$69,615,179	\$69,615,179	\$ 69,347,746	\$ -	\$ (267,433)
Tax Liens	-	-	-	78,900	-	78,900
Excises	-	2,500,000	2,500,000	2,719,237	-	219,237
Penalties and Interest	-	145,000	145,000	149,234	-	4,234
Licenses and Permits	-	196,700	196,700	198,738	-	2,038
Fees and Other Departmental	-	587,000	587,000	686,450	-	99,450
Intergovernmental	-	7,873,930	7,873,930	7,890,000	-	16,070
Charges for Services	-	27,000	27,000	27,144	-	144
Fines and Forfeits	-	61,500	61,500	119,031	-	57,531
Earnings on Investments	-	70,000	70,000	96,587	-	26,587
In Lieu of Taxes	-	12,000	12,000	12,046	-	46
Miscellaneous	-	-	-	107,467	-	107,467
Total Revenues	-	81,088,309	81,088,309	81,432,580	-	344,271
<u>Expenditures</u>						
General Government	1,248,482	6,619,029	6,619,029	5,702,486	1,565,030	599,995
Public Safety	157,345	6,592,638	6,592,638	6,890,171	118,287	(258,475)
Education	379,428	52,557,355	52,557,355	52,147,102	551,675	238,006
Highway and Public Works	1,008,475	2,943,654	2,943,654	2,807,624	1,067,091	77,414
Health and Human Services	162,804	1,740,451	1,740,451	1,655,248	264,551	(16,544)
Culture and Recreation	44,712	1,298,812	1,298,812	1,309,449	14,682	19,393
Debt Service	-	2,870,105	2,870,105	2,860,180	-	9,925
Intergovernmental	-	293,309	293,309	301,874	-	(8,565)
Employee Benefits and Insurance	-	6,027,111	6,027,111	5,606,493	-	420,618
Total Expenditures	3,001,246	80,942,464	80,942,464	79,280,627	3,581,316	1,081,767
<u>Other Financing Sources and (Uses)</u>						
Transfers In	-	30,000	30,000	32,792	-	2,792
Transfers Out	-	(496,000)	(496,000)	(496,000)	-	-
Budgetary Fund Balance	-	320,155	320,155	320,155	-	-
Total Other Financing Sources and (Uses)	-	(145,845)	(145,845)	(143,053)	-	2,792
Excess (Deficiency) Of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	\$ (3,001,246)	\$ -	\$ -	\$ 2,008,900	\$ (3,581,316)	\$ 1,428,830

Required Supplementary Information
Middlesex Retirement System
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/1996	\$ 373,750,361	\$ 634,920,488	\$ 261,170,127	58.87%	\$ 218,345,024	119.61%
1/1/1998	476,708,969	763,093,878	286,384,909	62.47%	215,380,186	132.97%
1/1/2000	570,263,467	905,280,472	335,017,005	62.99%	253,228,818	132.30%
1/1/2002	599,699,143	1,020,828,178	421,129,035	58.75%	280,740,439	150.01%
1/1/2004	618,163,380	1,223,828,127	605,664,747	50.51%	306,025,949	197.91%
1/1/2006	653,156,866	1,364,582,969	711,426,103	47.86%	330,999,861	214.93%
1/1/2008	774,863,669	1,529,806,307	754,942,638	50.65%	360,206,302	209.59%
1/1/2010	819,987,914	1,743,581,707	923,593,793	47.03%	384,933,571	239.94%
1/1/2012	862,323,395	1,974,144,909	1,111,821,514	43.68%	393,100,995	282.83%

Required Supplementary Information
Middlesex Retirement System
Schedule of Employer's Contributions

System Wide				Town of Acton	
Plan Year Ended December 31	Annual Required Contributions	Actual Contributions (A)	Percentage Contributed	Actual Contributions (B)	Town's Percentage of System Wide Actual Contributions (B/A)
2002	\$ 30,248,147	\$ 30,248,147	100.00%	\$ 661,330	2.19%
2003	35,411,500	35,411,500	100.00%	748,446	2.11%
2004	52,902,366	52,902,366	100.00%	780,178	1.47%
2005	52,298,150	52,298,150	100.00%	923,751	1.77%
2006	60,169,717	60,169,717	100.00%	1,037,884	1.72%
2007	64,664,829	64,664,829	100.00%	1,171,886	1.81%
2008	72,050,318	72,050,318	100.00%	1,040,723	1.44%
2009	78,212,121	78,212,121	100.00%	1,136,369	1.45%
2010	76,146,963	76,146,963	100.00%	2,390,614	3.14%
2011	78,662,214	78,662,214	100.00%	2,498,120	3.18%

Town of Acton, Massachusetts
Required Supplementary Information - GASB 45
Schedule of Funding Progress
June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
12/31/07	\$0	\$48,495,069	\$48,495,069	0%	\$10,500,000	461.9%
12/31/10	\$0	\$57,330,858	\$57,330,858	0%	Not Available	0.0%
12/31/12	\$0	\$31,187,810	\$31,187,810	0%	Not Available	0.0%

Subsequent to the most recent valuation date, the Town adopted legislation and established an OPEB Trust Fund. The OPEB Trust Fund has a balance of \$310,000 as of June 30, 2013. It is reported with the Town's fiduciary funds.

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Required Supplementary Information - GASB 45
Town of Acton, Massachusetts
Valuation Details
Fiscal Year Ended June 30, 2013

Valuation Date	December 31, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Payments Increasing at 3.5%
Remaining Amortization Period	30 Years Open
Asset Valuation Method	Market Value

Actuarial Assumptions:

Discount Rate	6.25%
OPEB Trust Asset Return	8.00%
Inflation Rate	3.5%
Medical/Drug Cost Trend Rates	8.0% decreasing by 0.50% for 6 years to an ultimate level of 5.00% per year.

Plan Membership:

Current retirees, beneficiaries, and dependents	290
Current active members	<u>359</u>
Total	<u>649</u>

Town of Acton, Massachusetts
Notes to the Required Supplementary Information
June 30, 2013

(A) Budgetary Information

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances do not constitute expenditures or liabilities.

(B) Pension Plans

1. Plan Description

The Town provides pension benefits to employees by contributing to Middlesex Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Middlesex Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

2. Funding Plan

Active members of the Middlesex Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Retirement System with the approval of the Public Employee Retirement Administration Commission.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the accrued liability for benefits. Additionally, a schedule of employer contributions is presented as required supplementary information

The schedules presented relate to the Middlesex Retirement System as a whole (of which the Town is one participating employer). The Town's data included should be helpful for understanding the scale of the information presented relative to the Town.

3. Actuarial Assumptions

Valuation Date	January 1, 2012
Actuarial Cost Method	Entry age normal cost method.
Amortization Method	Prior year's total contribution increased by 6.5% for fiscal year 2014 through fiscal year 2020, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments.
Remaining Amortization Period	As of July 1, 2012, 7 years remaining for the 2002 ERI liability; 8 years remaining for the 2003 ERI liability; 10 years remaining for the 2010 ERI liability and 23 years for the remaining unfunded liability.
Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period as described by revenue procedure 2000-40.
Actuarial Assumptions:	
Investment Rate of Return	8.00% (previously, 8.125%)
Projected Salary Increases	4.75% for Group 1 and 5.25% for Group 4
Cost of Living Adjustments	3.00% of the first \$14,000 of retirement income, (previously, 3.00% of the first \$12,000 of retirement income)
Plan Membership:	
Retired Participants and Beneficiaries Receiving Benefits	4,886
Inactive Participants Entitled to a Return of their Employee Contributions	2,708
Invested Participants with a Vested Right to a Deferred or Immediate Benefit	394
Active Participants	<u>8,979</u>
Total	<u>16,967</u>

(C) Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis.

- a. **Plan Description.** The Town provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. Currently there are 359 active employees and 290 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.
- b. **Funding Policy.** The Town pays 50% of the total premiums for health and life insurance policies. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time by local laws, and union agreements within the constraints of Massachusetts General Laws.

SUPPLEMENTARY INFORMATION

Town of Acton, Massachusetts
Supplementary Information
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget Versus Actual
General Fund - Budget Basis
Fiscal Year Ended June 30, 2013
(Continued on Page 53)

	Carried forward from <u>Prior Year</u>	Original <u>Budget</u>	Transfers and <u>Adjustments</u>	Revised <u>Budget</u>	Actual <u>Amounts</u>	Carried forward to Subsequent <u>Year</u>	Variance to <u>Final Budget</u>
<u>Revenues</u>							
Property Taxes	\$ -	\$ 69,615,179	\$ -	\$ 69,615,179	\$ 69,347,746	\$ -	\$ (267,433)
Tax Liens	-	-	-	-	78,900	-	78,900
Excises	-	2,500,000	-	2,500,000	2,719,237	-	219,237
Penalties and Interest	-	145,000	-	145,000	149,234	-	4,234
Licenses and Permits	-	196,700	-	196,700	198,738	-	2,038
Fees and Other Departmental	-	587,000	-	587,000	686,450	-	99,450
Intergovernmental	-	7,873,930	-	7,873,930	7,890,000	-	16,070
Charges for Services	-	27,000	-	27,000	27,144	-	144
Fines and Forfeits	-	61,500	-	61,500	119,031	-	57,531
Earnings on Investments	-	70,000	-	70,000	96,587	-	26,587
In Lieu of Taxes	-	12,000	-	12,000	12,046	-	46
Miscellaneous	-	-	-	-	107,467	-	107,467
Total Revenues	-	81,088,309	-	81,088,309	81,432,580	-	344,271
<u>Expenditures</u>							
<u>General Government</u>							
Moderator							
Salaries	-	200	-	200	-	-	200
Expenses	-	20	-	20	-	-	20
Total	-	220	-	220	-	-	220
Town Manager							
Salaries	-	452,308	-	452,308	407,688	-	44,620
Expenses	180,991	900,400	-	900,400	622,885	152,657	305,849
Total	180,991	1,352,708	-	1,352,708	1,030,573	152,657	350,469
Green Advisory Board							
Salaries	-	3,270	-	3,270	20,810	-	(17,540)
Expenses	3,600	48,137	-	48,137	30,595	1,998	19,144
Total	3,600	51,407	-	51,407	51,405	1,998	1,604
Finance Committee							
Expenses	-	500	-	500	268	-	232
Total	-	500	-	500	268	-	232
Finance Director							
Salaries	-	245,824	-	245,824	233,349	-	12,475
Expenses	16,451	332,379	-	332,379	277,084	46,761	24,985
Total	16,451	578,203	-	578,203	510,433	46,761	37,460

Town of Acton, Massachusetts
Supplementary Information
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget Versus Actual
General Fund - Budget Basis
Fiscal Year Ended June 30, 2013
(Continued on Page 54)

		Carried forward from Prior Year	Original Budget	Transfers and Adjustments	Revised Budget	Actual Amounts	Carried forward to Subsequent Year	Variance to Final Budget
Comptroller								
Salaries		-	310,412	-	310,412	239,570	-	70,842
Expenses		<u>1,000</u>	<u>2,300</u>	<u>-</u>	<u>2,300</u>	<u>6,031</u>	<u>2,400</u>	<u>(5,131)</u>
Total		<u>1,000</u>	<u>312,712</u>	<u>-</u>	<u>312,712</u>	<u>245,601</u>	<u>2,400</u>	<u>65,711</u>
Board Of Assessors								
Salaries		-	221,449	-	221,449	208,296	-	13,153
Expenses		<u>80,569</u>	<u>23,200</u>	<u>-</u>	<u>23,200</u>	<u>84,003</u>	<u>19,350</u>	<u>416</u>
Total		<u>80,569</u>	<u>244,649</u>	<u>-</u>	<u>244,649</u>	<u>292,299</u>	<u>19,350</u>	<u>13,569</u>
Collector								
Salaries		-	105,302	-	105,302	85,435	-	19,867
Expenses		<u>5,746</u>	<u>46,450</u>	<u>-</u>	<u>46,450</u>	<u>24,689</u>	<u>3,587</u>	<u>23,920</u>
Total		<u>5,746</u>	<u>151,752</u>	<u>-</u>	<u>151,752</u>	<u>110,124</u>	<u>3,587</u>	<u>43,787</u>
Human Resource								
Salaries		-	196,953	-	196,953	210,735	-	(13,782)
Expenses		<u>14,159</u>	<u>133,180</u>	<u>-</u>	<u>133,180</u>	<u>89,904</u>	<u>20,613</u>	<u>36,822</u>
Total		<u>14,159</u>	<u>330,133</u>	<u>-</u>	<u>330,133</u>	<u>300,639</u>	<u>20,613</u>	<u>23,040</u>
Information Technology								
Salaries		-	431,151	-	431,151	397,600	-	33,551
Expenses		<u>598,004</u>	<u>1,128,058</u>	<u>-</u>	<u>1,128,058</u>	<u>853,140</u>	<u>851,494</u>	<u>21,428</u>
Total		<u>598,004</u>	<u>1,559,209</u>	<u>-</u>	<u>1,559,209</u>	<u>1,250,740</u>	<u>851,494</u>	<u>54,979</u>
Town Clerk								
Salaries		-	132,314	-	132,314	158,920	-	(26,606)
Expenses		<u>-</u>	<u>2,600</u>	<u>-</u>	<u>2,600</u>	<u>3,134</u>	<u>-</u>	<u>(534)</u>
Total		<u>-</u>	<u>134,914</u>	<u>-</u>	<u>134,914</u>	<u>162,054</u>	<u>-</u>	<u>(27,140)</u>
Elections								
Salaries		-	3,800	-	3,800	10,137	-	(6,337)
Expenses		<u>-</u>	<u>80,950</u>	<u>-</u>	<u>80,950</u>	<u>68,193</u>	<u>4,738</u>	<u>8,019</u>
Total		<u>-</u>	<u>84,750</u>	<u>-</u>	<u>84,750</u>	<u>78,330</u>	<u>4,738</u>	<u>1,682</u>
Planning								
Salaries		-	250,370	-	250,370	245,371	-	4,999
Expenses		<u>76,788</u>	<u>12,200</u>	<u>-</u>	<u>12,200</u>	<u>44,485</u>	<u>40,325</u>	<u>4,178</u>
Total		<u>76,788</u>	<u>262,570</u>	<u>-</u>	<u>262,570</u>	<u>289,856</u>	<u>40,325</u>	<u>9,177</u>
Zoning Board Of Appeals								
Expenses		<u>-</u>	<u>410</u>	<u>-</u>	<u>410</u>	<u>55</u>	<u>-</u>	<u>355</u>
Total		<u>-</u>	<u>410</u>	<u>-</u>	<u>410</u>	<u>55</u>	<u>-</u>	<u>355</u>

Town of Acton, Massachusetts
Supplementary Information
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget Versus Actual
General Fund - Budget Basis
Fiscal Year Ended June 30, 2013
(Continued on Page 55)

	Carried forward from Prior Year	Original Budget	Transfers and Adjustments	Revised Budget	Actual Amounts	Carried forward to Subsequent Year	Variance to Final Budget
Municipal Properties							
Expenses	<u>271,174</u>	<u>1,554,892</u>	<u>-</u>	<u>1,554,892</u>	<u>1,380,109</u>	<u>421,107</u>	<u>24,850</u>
Total	<u>271,174</u>	<u>1,554,892</u>	<u>-</u>	<u>1,554,892</u>	<u>1,380,109</u>	<u>421,107</u>	<u>24,850</u>
Total - General Government	<u>1,248,482</u>	<u>6,619,029</u>	<u>-</u>	<u>6,619,029</u>	<u>5,702,486</u>	<u>1,565,030</u>	<u>599,995</u>
<u>Public Safety</u>							
Police							
Salaries	-	2,995,470	-	2,995,470	3,240,121	-	(244,651)
Expenses	<u>52,715</u>	<u>207,430</u>	<u>-</u>	<u>207,430</u>	<u>315,483</u>	<u>56,686</u>	<u>(112,024)</u>
Total	<u>52,715</u>	<u>3,202,900</u>	<u>-</u>	<u>3,202,900</u>	<u>3,555,604</u>	<u>56,686</u>	<u>(356,675)</u>
Fire							
Salaries	-	2,482,230	-	2,482,230	2,504,318	-	(22,088)
Expenses	<u>68,989</u>	<u>152,157</u>	<u>-</u>	<u>152,157</u>	<u>139,550</u>	<u>60,284</u>	<u>21,312</u>
Total	<u>68,989</u>	<u>2,634,387</u>	<u>-</u>	<u>2,634,387</u>	<u>2,643,868</u>	<u>60,284</u>	<u>(776)</u>
Dispatch							
Salaries	-	484,577	-	484,577	421,822	-	62,755
Expenses	<u>-</u>	<u>2,200</u>	<u>-</u>	<u>2,200</u>	<u>1,800</u>	<u>-</u>	<u>400</u>
Total	<u>-</u>	<u>486,777</u>	<u>-</u>	<u>486,777</u>	<u>423,622</u>	<u>-</u>	<u>63,155</u>
Building Inspector							
Salaries	-	214,389	-	214,389	210,501	-	3,888
Expenses	<u>1,200</u>	<u>8,935</u>	<u>-</u>	<u>8,935</u>	<u>5,588</u>	<u>1,157</u>	<u>3,390</u>
Total	<u>1,200</u>	<u>223,324</u>	<u>-</u>	<u>223,324</u>	<u>216,089</u>	<u>1,157</u>	<u>7,278</u>
Emergency Management							
Salaries	-	-	-	-	30	-	(30)
Expenses	<u>32,441</u>	<u>28,250</u>	<u>-</u>	<u>28,250</u>	<u>31,587</u>	<u>-</u>	<u>29,104</u>
Total	<u>32,441</u>	<u>28,250</u>	<u>-</u>	<u>28,250</u>	<u>31,617</u>	<u>-</u>	<u>29,074</u>
Dog Officer							
Expenses	<u>2,000</u>	<u>17,000</u>	<u>-</u>	<u>17,000</u>	<u>19,371</u>	<u>160</u>	<u>(531)</u>
Total	<u>2,000</u>	<u>17,000</u>	<u>-</u>	<u>17,000</u>	<u>19,371</u>	<u>160</u>	<u>(531)</u>
Total - Public Safety	<u>157,345</u>	<u>6,592,638</u>	<u>-</u>	<u>6,592,638</u>	<u>6,890,171</u>	<u>118,287</u>	<u>(258,475)</u>

Town of Acton, Massachusetts
Supplementary Information
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget Versus Actual
General Fund - Budget Basis
Fiscal Year Ended June 30, 2013
(Continued on Page 56)

	Carried forward from Prior Year	Original Budget	Transfers and Adjustments	Revised Budget	Actual Amounts	Carried forward to Subsequent Year	Variance to Final Budget
<u>Education</u>							
General Education							
Salaries	(7,587)	18,857,787	-	18,857,787	18,716,607	-	133,593
Expenses	387,015	7,704,316	-	7,704,316	7,435,243	551,675	104,413
Acton Boxborough Reg Assmt.	-	25,193,314	-	25,193,314	25,193,314	-	-
Minuteman Tech- Assmt.	-	801,938	-	801,938	801,938	-	-
Total - Education	379,428	52,557,355	-	52,557,355	52,147,102	551,675	238,006
<u>Department of Public Works</u>							
Engineering							
Salaries	-	232,363	-	232,363	227,081	-	5,282
Expenses	262,587	24,750	-	24,750	31,850	255,111	376
Total	262,587	257,113	-	257,113	258,931	255,111	5,658
Highway							
Salaries	-	899,192	-	899,192	871,873	-	27,319
Expenses	531,984	20,247	-	20,247	284,568	267,445	218
	531,984	919,439	-	919,439	1,156,441	267,445	27,537
Roads							
Expenses	23,838	258,288	-	258,288	219,836	57,300	4,990
Total	23,838	258,288	-	258,288	219,836	57,300	4,990
Snow And Ice							
Salaries	-	143,585	-	143,585	146,905	-	(3,320)
Expenses	107,335	378,125	-	378,125	446,021	33,747	5,692
Total	107,335	521,710	-	521,710	592,926	33,747	2,372
Gas And Diesel							
Expenses	19,279	407,114	-	407,114	238,988	184,900	2,505
Total	19,279	407,114	-	407,114	238,988	184,900	2,505
Machinery							
Expenses	11,496	313,308	-	313,308	243,126	60,546	21,132
Total	11,496	313,308	-	313,308	243,126	60,546	21,132
Special Projects							
Expenses	51,956	266,682	-	266,682	97,376	208,042	13,220
Total	51,956	266,682	-	266,682	97,376	208,042	13,220
Total - Dept. of Public Works	1,008,475	2,943,654	-	2,943,654	2,807,624	1,067,091	77,414

Town of Acton, Massachusetts
Supplementary Information
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget Versus Actual
General Fund - Budget Basis
Fiscal Year Ended June 30, 2013
(Continued on Page 57)

	Carried forward from Prior Year	Original Budget	Transfers and Adjustments	Revised Budget	Actual Amounts	Carried forward to Subsequent Year	Variance to Final Budget
<u>Human Services</u>							
Board Of Health							
Salaries	-	200,302	-	200,302	177,913	-	22,389
Expenses	<u>1,350</u>	<u>262,500</u>	<u>-</u>	<u>262,500</u>	<u>192,117</u>	<u>72,423</u>	<u>(690)</u>
Total	<u>1,350</u>	<u>462,802</u>	<u>-</u>	<u>462,802</u>	<u>370,030</u>	<u>72,423</u>	<u>21,699</u>
Nursing Service							
Salaries	-	-	-	-	91,678	-	(91,678)
Expenses	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>25,704</u>	<u>-</u>	<u>99,296</u>
Total	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>	<u>117,382</u>	<u>-</u>	<u>7,618</u>
Council On Aging							
Salaries	-	238,726	-	238,726	235,819	-	2,907
Expenses	<u>19,161</u>	<u>25,406</u>	<u>-</u>	<u>25,406</u>	<u>25,026</u>	<u>19,651</u>	<u>(110)</u>
Total	<u>19,161</u>	<u>264,132</u>	<u>-</u>	<u>264,132</u>	<u>260,845</u>	<u>19,651</u>	<u>2,797</u>
Veterans Services							
Salaries	-	59,594	-	59,594	59,049	-	545
Expenses	<u>8,975</u>	<u>70,900</u>	<u>-</u>	<u>70,900</u>	<u>107,385</u>	<u>-</u>	<u>(27,510)</u>
Total	<u>8,975</u>	<u>130,494</u>	<u>-</u>	<u>130,494</u>	<u>166,434</u>	<u>-</u>	<u>(26,965)</u>
Commission On Disabilities							
Expenses	<u>-</u>	<u>1,468</u>	<u>-</u>	<u>1,468</u>	<u>50</u>	<u>180</u>	<u>1,238</u>
Total	<u>-</u>	<u>1,468</u>	<u>-</u>	<u>1,468</u>	<u>50</u>	<u>180</u>	<u>1,238</u>
Natural Resources							
Salaries	-	692,755	-	692,755	661,079	-	31,676
Expenses	<u>133,318</u>	<u>63,800</u>	<u>-</u>	<u>63,800</u>	<u>79,428</u>	<u>172,297</u>	<u>(54,607)</u>
Total	<u>133,318</u>	<u>756,555</u>	<u>-</u>	<u>756,555</u>	<u>740,507</u>	<u>172,297</u>	<u>(22,931)</u>
Total - Human Services	<u>162,804</u>	<u>1,740,451</u>	<u>-</u>	<u>1,740,451</u>	<u>1,655,248</u>	<u>264,551</u>	<u>(16,544)</u>
<u>Culture and Recreation</u>							
Recreation							
Expenses	<u>44,136</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>42,632</u>	<u>3,504</u>	<u>-</u>
Total	<u>44,136</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>42,632</u>	<u>3,504</u>	<u>-</u>

Town of Acton, Massachusetts
Supplementary Information
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget Versus Actual
General Fund - Budget Basis
Fiscal Year Ended June 30, 2013
(Continued on Page 58)

	Carried forward from <u>Prior Year</u>	Original <u>Budget</u>	Transfers and <u>Adjustments</u>	Revised <u>Budget</u>	Actual <u>Amounts</u>	Carried forward to Subsequent <u>Year</u>	Variance to <u>Final Budget</u>
Memorial Library							
Salaries	-	973,135	-	973,135	945,170	-	27,965
Expenses	-	240,950	-	240,950	259,426	9,800	(28,276)
Total	-	1,214,085	-	1,214,085	1,204,596	9,800	(311)
Citizens Library							
Salaries	-	44,592	-	44,592	44,765	-	(173)
Expenses	576	7,555	-	7,555	7,201	347	583
Total	576	52,147	-	52,147	51,966	347	410
Historic Commission							
Expenses	-	380	-	380	333	-	47
Total	-	380	-	380	333	-	47
Celebrations							
Salaries	-	8,200	-	8,200	324	-	7,876
Expenses	-	22,000	-	22,000	9,598	1,031	11,371
Total	-	30,200	-	30,200	9,922	1,031	19,247
Total - Culture and Recreation	44,712	1,298,812	-	1,298,812	1,309,449	14,682	19,393
<u>Debt Service</u>							
Principal	-	1,970,351	-	1,970,351	1,907,146	-	63,205
Interest	-	869,754	-	869,754	860,682	-	9,072
Short Term Interest	-	30,000	-	30,000	92,352	-	(62,352)
Total	-	2,870,105	-	2,870,105	2,860,180	-	9,925
Total - Debt Service	-	2,870,105	-	2,870,105	2,860,180	-	9,925
<u>Intergovernmental</u>							
State And County							
Expenses	-	293,309	-	293,309	301,874	-	(8,565)
Total	-	293,309	-	293,309	301,874	-	(8,565)
Total - Intergovernmental	-	293,309	-	293,309	301,874	-	(8,565)

Town of Acton, Massachusetts
Supplementary Information
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget Versus Actual
General Fund - Budget Basis
Fiscal Year Ended June 30, 2013
(Continued from Page 57)

	Carried forward from <u>Prior Year</u>	Original <u>Budget</u>	Transfers and <u>Adjustments</u>	Revised <u>Budget</u>	Actual <u>Amounts</u>	Carried forward to Subsequent <u>Year</u>	Variance to <u>Final Budget</u>
<u>Employee Benefits and Insurances</u>							
Pension Assessment	-	2,839,312	-	2,839,312	2,755,584	-	83,728
Medicare	-	140,000	-	140,000	155,998	-	(15,998)
Insurances and Other Benefits	-	3,047,799	-	3,047,799	2,694,911	-	352,888
Total	-	6,027,111	-	6,027,111	5,606,493	-	420,618
Total - Employee Benefits and Insurances	-	6,027,111	-	6,027,111	5,606,493	-	420,618
Total Expenditures	3,001,246	80,942,464	-	80,942,464	79,280,627	3,581,316	1,081,767
Excess of Revenues Over (Under)							
Expenditures	(3,001,246)	145,845	-	145,845	2,151,953	(3,581,316)	1,426,038
Operating Transfers In	-	30,000	-	30,000	32,792	-	2,792
Operating Transfers (Out)	-	(496,000)	-	(496,000)	(496,000)	-	-
Budgetary Fund Balance	-	320,155	-	320,155	320,155	-	-
Total Other Financing Sources (Uses)	-	(145,845)	-	(145,845)	(143,053)	-	2,792
Excess (Deficiency) Of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)							
	<u>(\$3,001,246)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,008,900</u>	<u>(\$3,581,316)</u>	<u>\$1,428,830</u>

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The combining statements are categorized and reported in the following fund types:

Town Grants Fund – This fund is used to account for non-school related activity specifically financed by federal, state, and other grants which are designated for specific programs.

School Grants Fund – This fund is used to account for the educational programs specifically financed by federal, state and other grants which are designated for specific programs.

Town Revolving Accounts Fund – This fund is used to account for non-school related revolving funds specifically allowed by the laws of the Commonwealth of Massachusetts. These funds are expended for purposes specified by the enabling statute.

School Revolving Accounts Fund – This fund is used to account for school related revolving funds specifically allowed by the laws of the Commonwealth of Massachusetts. These funds are expended for purposes specified by the enabling statutes.

School Lunch Fund – This fund is used to account for all cafeteria activities and is funded by user charges, federal and state grants and commodities received.

Town Donations & Gifts Fund – This fund is used to account for gifts which have been accepted by the Town to be used for the purpose specified by the donor.

School Donations & Gifts Fund – This fund is used to account for gifts which have been accepted by the School Department to be used for the purpose specified by the donor.

Other Funds – This fund is used to report all special revenue funds that are not separately reported in other categories.

Capital Project Funds

Capital projects funds are used for the acquisition and construction of the Town's major capital assets or facilities, except those financed by the proprietary fund types.

Douglas School – This fund is used to account for the renovation of the Douglas School

Other Funds – This fund is used to report all capital projects funds that are not separately reported in other categories.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support governmental programs.

Cemetery Fund – This fund is used to account for contributions and expenditures related to cemetery perpetual care and other cemetery related bequests.

Library Fund – This fund is used to account for various contributions/bequests associated with the Town's library.

Other Fund – This fund is used to account for various permanent fund contributions/bequests that are not reported in other categories.

Town of Acton, Massachusetts
Non Major Governmental Funds
Combining Balance Sheet
June 30, 2013

	Special Revenue <u>Town Grants</u>	Special Revenue <u>School Grants</u>	Special Revenue <u>Revolving - Town</u>	Special Revenue <u>Revolving - School</u>	Special Revenue <u>School Lunch</u>
<u>Assets</u>					
Cash/Investments	\$ 26,741	\$ (156,493)	\$ 427,870	\$ 380,822	\$ 69,817
Accounts Receivable:					
User Charges	-	-	-	-	-
Special Assessments	-	-	-	-	-
Departmental	-	-	17,200	-	-
Intergovernmental	635,918	155,374	-	-	-
Total Assets	<u>\$ 662,659</u>	<u>\$ (1,119)</u>	<u>\$ 445,070</u>	<u>\$ 380,822</u>	<u>\$ 69,817</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Warrants Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Payroll Payable	-	-	1,791	-	-
Due to Component Unit	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Unearned Revenue:					
Departmental	-	-	17,200	-	-
Special Assessment	-	-	-	-	-
User Charges	-	-	-	-	-
Intergovernmental	471,422	-	-	-	-
Total Liabilities	<u>471,422</u>	<u>-</u>	<u>18,991</u>	<u>-</u>	<u>-</u>
Fund Equity:					
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	191,237	(1,119)	40,296	-	69,817
Committed	-	-	385,783	380,822	-
Total Fund Balances	<u>191,237</u>	<u>(1,119)</u>	<u>426,079</u>	<u>380,822</u>	<u>69,817</u>
Total Liabilities and Fund Balances	<u>\$ 662,659</u>	<u>\$ (1,119)</u>	<u>\$ 445,070</u>	<u>\$ 380,822</u>	<u>\$ 69,817</u>

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Town of Acton, Massachusetts
Non Major Governmental Funds
Combining Balance Sheet
June 30, 2013

	Special Revenue Donations and <u>Gifts - Town</u>	Special Revenue Donations and <u>Gifts - School</u>	Special Revenue <u>Other</u>	Subtotal Special Revenue Funds	Capital Projects <u>Douglas School</u>
<u>Assets</u>					
Cash/Investments	\$ 2,484,088	\$ 137,006	\$ 3,187,017	\$ 6,556,868	\$ -
Accounts Receivable:					
User Charges	-	-	127,426	127,426	-
Special Assessments	-	-	96,919	96,919	-
Departmental	-	91,473	70,205	178,878	-
Intergovernmental	-	-	-	791,292	-
Total Assets	<u>\$ 2,484,088</u>	<u>\$ 228,479</u>	<u>\$ 3,481,567</u>	<u>\$ 7,751,383</u>	<u>\$ -</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Warrants Payable	\$ -	\$ -	\$ 150,906	\$ 150,906	\$ -
Accrued Payroll Payable	-	-	24,650	26,441	-
Due to Component Unit	500,000	-	-	500,000	-
Other Liabilities	-	-	(24,377)	(24,377)	-
Unearned Revenue:					
Departmental	-	-	70,205	87,405	-
Special Assessment	-	-	96,919	96,919	-
User Charges	-	-	127,426	127,426	-
Intergovernmental	-	59,578	-	531,000	-
Total Liabilities	<u>500,000</u>	<u>59,578</u>	<u>445,729</u>	<u>1,495,720</u>	<u>-</u>
Fund Equity:					
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	1,984,088	168,901	1,348,020	3,801,240	-
Committed	-	-	1,687,818	2,454,423	-
Total Fund Balances	<u>1,984,088</u>	<u>168,901</u>	<u>3,035,838</u>	<u>6,255,663</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 2,484,088</u>	<u>\$ 228,479</u>	<u>\$ 3,481,567</u>	<u>\$ 7,751,383</u>	<u>\$ -</u>

Continued on Next Page

Town of Acton, Massachusetts
Non Major Governmental Funds
Combining Balance Sheet
June 30, 2013

	Capital Projects <u>Other</u>	Subtotal <u>Capital Projects</u>	Permanent Trust <u>Cemetery</u>	Permanent Trust <u>Library</u>	Permanent Trust <u>Other</u>
<u>Assets</u>					
Cash/Investments	\$ 1,214,679	\$ 1,214,679	\$ 2,868,142	\$ 520,374	\$ 276,507
Accounts Receivable:					
User Charges	-	-	-	-	-
Special Assessments	-	-	-	-	-
Departmental	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Total Assets	<u>\$ 1,214,679</u>	<u>\$ 1,214,679</u>	<u>\$ 2,868,142</u>	<u>\$ 520,374</u>	<u>\$ 276,507</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Warrants Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Payroll Payable	-	-	-	-	-
Due to Component Unit	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Unearned Revenue:					
Departmental	-	-	-	-	-
Special Assessment	-	-	-	-	-
User Charges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Equity:					
Fund Balances:					
Nonspendable	-	-	1,813,270	87,900	36,239
Restricted	1,214,679	1,214,679	1,054,872	432,474	240,268
Committed	-	-	-	-	-
Total Fund Balances	<u>1,214,679</u>	<u>1,214,679</u>	<u>2,868,142</u>	<u>520,374</u>	<u>276,507</u>
Total Liabilities and Fund Balances	<u>\$ 1,214,679</u>	<u>\$ 1,214,679</u>	<u>\$ 2,868,142</u>	<u>\$ 520,374</u>	<u>\$ 276,507</u>

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Town of Acton, Massachusetts
Non Major Governmental Funds
Combining Balance Sheet
June 30, 2013

	Total	
	Nonmajor	
	Governmental	
	Subtotal	
	Permanent Trust	Funds
<u>Assets</u>		
Cash/Investments	\$ 3,665,023	\$ 11,436,570
Accounts Receivable:		
User Charges	-	127,426
Special Assessments	-	96,919
Departmental	-	178,878
Intergovernmental	-	791,292
Total Assets	<u>\$ 3,665,023</u>	<u>\$ 12,631,085</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Warrants Payable	\$ -	\$ 150,906
Accrued Payroll Payable	-	26,441
Due to Component Unit	-	500,000
Other Liabilities	-	(24,377)
Unearned Revenue:		
Departmental	-	87,405
Special Assessment	-	96,919
User Charges	-	127,426
Intergovernmental	-	531,000
Total Liabilities	<u>-</u>	<u>1,495,720</u>
Fund Equity:		
Fund Balances:		
Nonspendable	1,937,409	1,937,409
Restricted	1,727,614	6,743,533
Committed	-	2,454,423
Total Fund Balances	<u>3,665,023</u>	<u>11,135,365</u>
Total Liabilities and Fund Balances	<u>\$ 3,665,023</u>	<u>\$ 12,631,085</u>

Concluded

Town of Acton, Massachusetts
Non Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2013

	Special Revenue Town Grants	Special Revenue School Grants	Special Revenue Revolving - Town	Special Revenue Revolving - School
<u>Revenues:</u>				
Licenses and Permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,758,518	1,539,230	-	-
Charges for Services	-	-	403,802	428,044
Earnings on Investments	-	-	-	-
Contributions	2,135	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>1,760,653</u>	<u>1,539,230</u>	<u>403,802</u>	<u>428,044</u>
<u>Expenditures:</u>				
Current				
General Government	700,269	-	-	-
Public Safety	85,510	-	231,518	-
Education	-	1,695,748	-	424,698
Highways and Public Works	864,683	-	-	-
Human Services	218,437	-	92,781	-
Culture and Recreation	36,252	-	91,661	-
Total Expenditures	<u>1,905,151</u>	<u>1,695,748</u>	<u>415,960</u>	<u>424,698</u>
Excess of Revenues Over (Under) Expenditures	<u>(144,498)</u>	<u>(156,518)</u>	<u>(12,158)</u>	<u>3,346</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	125	-
Operating Transfers (Out)	-	-	-	-
Proceeds from Bonds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>125</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(144,498)</u>	<u>(156,518)</u>	<u>(12,033)</u>	<u>3,346</u>
Fund Balance, Beginning	<u>335,735</u>	<u>155,399</u>	<u>438,112</u>	<u>377,476</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning as Restated	<u>335,735</u>	<u>155,399</u>	<u>438,112</u>	<u>377,476</u>
Fund Balance, Ending	<u>\$ 191,237</u>	<u>\$ (1,119)</u>	<u>\$ 426,079</u>	<u>\$ 380,822</u>

Continued on Next Page

Town of Acton, Massachusetts
Non Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2013

	Special Revenue <u>School Lunch</u>	Special Revenue Donations and Gifts - Town	Special Revenue Donations and Gifts - School	Special Revenue <u>Other</u>
<u>Revenues:</u>				
Licenses and Permits	\$ -	\$ -	\$ -	\$ 86,515
Intergovernmental	89,121	-	-	35,776
Charges for Services	454,868	-	-	1,076,323
Earnings on Investments	-	-	-	670
Contributions	-	628,678	432,356	-
Miscellaneous	-	-	-	55,526
Total Revenues	<u>543,989</u>	<u>628,678</u>	<u>432,356</u>	<u>1,254,810</u>
<u>Expenditures:</u>				
Current				
General Government	-	74,093	-	46,655
Public Safety	-	1,581	-	765,104
Education	512,984	-	455,006	-
Highways and Public Works	-	3,784	-	-
Human Services	-	551,586	-	270,797
Culture and Recreation	-	59,952	-	383,096
Total Expenditures	<u>512,984</u>	<u>690,996</u>	<u>455,006</u>	<u>1,465,652</u>
Excess of Revenues Over (Under) Expenditures	<u>31,005</u>	<u>(62,318)</u>	<u>(22,650)</u>	<u>(210,842)</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	407,702
Operating Transfers (Out)	-	-	-	(89,619)
Proceeds from Bonds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>318,083</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>31,005</u>	<u>(62,318)</u>	<u>(22,650)</u>	<u>107,241</u>
Fund Balance, Beginning	<u>38,812</u>	<u>2,046,406</u>	<u>191,551</u>	<u>2,928,597</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning as Restated	<u>38,812</u>	<u>2,046,406</u>	<u>191,551</u>	<u>2,928,597</u>
Fund Balance, Ending	<u>\$ 69,817</u>	<u>\$ 1,984,088</u>	<u>\$ 168,901</u>	<u>\$ 3,035,838</u>

Continued on Next Page

Town of Acton, Massachusetts
Non Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2013

	Subtotal Special Revenue Funds	Capital Projects Douglas School	Capital Projects Other	Subtotal Capital Projects
Revenues:				
Licenses and Permits	\$ 86,515	\$ -	\$ -	\$ -
Intergovernmental	3,422,645	206,660	-	206,660
Charges for Services	2,363,037	-	-	-
Earnings on Investments	670	-	-	-
Contributions	1,063,169	-	-	-
Miscellaneous	55,526	-	-	-
Total Revenues	<u>6,991,562</u>	<u>206,660</u>	<u>-</u>	<u>206,660</u>
Expenditures:				
Current				
General Government	821,017	-	140,705	140,705
Public Safety	1,083,713	-	-	-
Education	3,088,436	-	-	-
Highways and Public Works	868,467	-	467,705	467,705
Human Services	1,133,601	-	42,083	42,083
Culture and Recreation	570,961	-	120,655	120,655
Total Expenditures	<u>7,566,195</u>	<u>-</u>	<u>771,148</u>	<u>771,148</u>
Excess of Revenues Over (Under) Expenditures	<u>(574,633)</u>	<u>206,660</u>	<u>(771,148)</u>	<u>(564,488)</u>
Other Financing Sources (Uses):				
Operating Transfers In	407,827	-	-	-
Operating Transfers (Out)	(89,619)	-	-	-
Proceeds from Bonds	-	267,606	1,826,046	2,093,652
Total Other Financing Sources (Uses)	<u>318,208</u>	<u>267,606</u>	<u>1,826,046</u>	<u>2,093,652</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(256,425)</u>	<u>474,266</u>	<u>1,054,898</u>	<u>1,529,164</u>
Fund Balance, Beginning	<u>6,512,088</u>	<u>(474,266)</u>	<u>159,781</u>	<u>(314,485)</u>
Prior Period Adjustment	-	-	-	-
Fund Balance, Beginning as Restated	<u>6,512,088</u>	<u>(474,266)</u>	<u>159,781</u>	<u>(314,485)</u>
Fund Balance, Ending	<u>\$ 6,255,663</u>	<u>\$ -</u>	<u>\$ 1,214,679</u>	<u>\$ 1,214,679</u>

Continued on Next Page

Town of Acton, Massachusetts
Non Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2013

	Permanent Trust <u>Cemetery</u>	Permanent Trust <u>Library</u>	Permanent Trust <u>Other</u>	Subtotal Permanent Trust	Total Non Major Governmental Funds
<u>Revenues:</u>					
Licenses and Permits	\$ -	\$ -	\$ -	\$ -	\$ 86,515
Intergovernmental	-	-	-	-	3,629,305
Charges for Services	-	-	-	-	2,363,037
Earnings on Investments	148,442	27,137	14,633	190,212	190,882
Contributions	75,370	-	-	75,370	1,138,539
Miscellaneous	-	-	-	-	55,526
Total Revenues	<u>223,812</u>	<u>27,137</u>	<u>14,633</u>	<u>265,582</u>	<u>7,463,804</u>
<u>Expenditures:</u>					
Current					
General Government	-	-	280	280	962,002
Public Safety	-	-	1,513	1,513	1,085,226
Education	-	1,297	-	1,297	3,089,733
Highways and Public Works	26,936	-	-	26,936	1,363,108
Human Services	133	84	363	580	1,176,264
Culture and Recreation	1,013	3,761	-	4,774	696,390
Total Expenditures	<u>28,082</u>	<u>5,142</u>	<u>2,156</u>	<u>35,380</u>	<u>8,372,723</u>
Excess of Revenues Over (Under) Expenditures	<u>195,730</u>	<u>21,995</u>	<u>12,477</u>	<u>230,202</u>	<u>(908,919)</u>
<u>Other Financing Sources (Uses):</u>					
Operating Transfers In	-	-	-	-	407,827
Operating Transfers (Out)	-	-	-	-	(89,619)
Proceeds from Bonds	-	-	-	-	2,093,652
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,411,860</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>195,730</u>	<u>21,995</u>	<u>12,477</u>	<u>230,202</u>	<u>1,502,941</u>
Fund Balance, Beginning	<u>2,698,289</u>	<u>498,379</u>	<u>264,030</u>	<u>3,460,698</u>	<u>9,658,301</u>
Prior Period Adjustment	<u>(25,877)</u>	<u>-</u>	<u>-</u>	<u>(25,877)</u>	<u>(25,877)</u>
Fund Balance, Beginning as Restated	<u>2,672,412</u>	<u>498,379</u>	<u>264,030</u>	<u>3,434,821</u>	<u>9,632,424</u>
Fund Balance, Ending	<u>\$ 2,868,142</u>	<u>\$ 520,374</u>	<u>\$ 276,507</u>	<u>\$ 3,665,023</u>	<u>\$ 11,135,365</u>

Concluded

Fiduciary Funds

Private Purpose Trust Funds

Private purpose trust funds are used to account for resources that are held for the benefit of parties outside the government (i.e. charitable trusts, scholarship trusts).

Charity Fund – This fund is used to account for resources related to bequests made to the Town for charitable purposes.

Other Post-Employment Benefits Liability Trust Fund

The Other Post-Employment Benefits Liability Trust Fund is used to account for the resources set aside by the Town to fund the retirees' health and life insurance liability. The Town adopted Massachusetts General Laws, Chapter 32, Section 20 which provides for the establishment of the fund.

Agency Fund

Agency funds are used to account for the short-term custodial collections of resources on behalf of another individual, entity or government.

Town of Acton, Massachusetts
Fiduciary Funds
Combining Statement of Net Position
June 30, 2013

	<u>Charity</u>	Other Post Employment Benefits <u>Trust</u>	Total Private-Purpose <u>Trust</u>
Assets			
Cash and Cash Investments	\$ 263,928	\$ 310,000	\$ 573,928
Total Assets	<u>\$ 263,928</u>	<u>\$ 310,000</u>	<u>\$ 573,928</u>
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position			
Restricted for Other Post Employment Benefits	-	310,000	310,000
Expendable	204,299	-	204,299
Nonexpendable	<u>59,629</u>	<u>-</u>	<u>59,629</u>
Total Net Position	<u>\$ 263,928</u>	<u>\$ 310,000</u>	<u>\$ 573,928</u>

Town of Acton, Massachusetts
Fiduciary Funds
Combining Statement of Changes in Net Position
Fiscal Year Ended June 30, 2013

	<u>Charity</u>	Other Post Employment Benefits <u>Trust</u>	Total Private-Purpose <u>Trust</u>
Additions:			
Interest, Dividends, and Other	\$ 14,031	\$ -	\$ 14,031
Total Additions	<u>14,031</u>	<u>-</u>	<u>14,031</u>
Deductions:			
Trust Distributions	<u>3,289</u>	<u>-</u>	<u>3,289</u>
Change in Net Position Before Transfers	<u>10,742</u>	<u>-</u>	<u>10,742</u>
Transfers In (Out):			
Operating Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>10,742</u>	<u>-</u>	<u>10,742</u>
Net Position:			
Beginning of the Year	<u>227,309</u>	<u>310,000</u>	<u>537,309</u>
Prior Period Adjustment	<u>25,877</u>	<u>-</u>	<u>25,877</u>
Fund Balance, Beginning as Restated	<u>253,186</u>	<u>310,000</u>	<u>563,186</u>
Ending of the Year	<u><u>\$ 263,928</u></u>	<u><u>\$ 310,000</u></u>	<u><u>\$ 573,928</u></u>

Town of Acton, Massachusetts
Agency Fund
Statement of Changes in Assets and Liabilities
Fiscal Year Ended June 30, 2013

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2013</u>
Assets				
Cash and Cash Investments	\$ 1,021,964	\$17,661,665	\$17,680,356	\$ 1,003,273
Total Assets	<u>1,021,964</u>	<u>17,661,665</u>	<u>17,680,356</u>	<u>1,003,273</u>
Liabilities				
Warrants Payable	14,448	450	14,448	450
Due to Component Unit	30,000	12,000	3,000	39,000
Other	<u>977,516</u>	<u>17,649,215</u>	<u>17,662,908</u>	<u>963,823</u>
Total Assets	<u><u>\$ 1,021,964</u></u>	<u><u>\$17,661,665</u></u>	<u><u>\$17,680,356</u></u>	<u><u>\$ 1,003,273</u></u>

Town of Acton, Massachusetts
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2013

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture-Food and Nutrition Services</u>		
National School Lunch Program	10.555	<u>\$ 81,590</u>
<u>U.S. Department of Justice - Bureau of Justice Assistance</u>		
Bulletproof Vest Partnership Program	16.607	<u>1,590</u>
<u>U.S. Department of Education-Office of Elementary and Secondary Education</u>		
Title I Grants to Local Educational Agencies	84.010	<u>59,556</u>
<u>Special Education Cluster:</u>		
SPED PL Grants to States	84.027	543,199
SPED Preschool Grants	84.173	<u>22,487</u>
Subtotal Special Education Cluster		<u>565,686</u>
English Language Acquisition State Grants	84.365	16,959
Improving Teacher Quality State Grants	84.367	36,643
Education Jobs Fund	84.410	<u>358,281</u>
Total U.S. Department of Education		<u>1,037,125</u>
<u>U.S. Department of Health and Human Services</u>		
<u>Centers for Disease Control and Prevention</u>		
Public Health Emergency Preparedness	93.069	<u>601</u>
Total U.S. Department of Health and Human Service		<u>601</u>
<u>U.S. Department of Homeland Security</u>		
Emergency Management Performance Grants	97.042	4,500
Assistance to Firefighters Grant	97.044	<u>5,804</u>
Total U.S. Department of Homeland Security		<u>10,304</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 1,131,210</u></u>

Town of Acton, Massachusetts
Notes to Schedule of Expenditures of Federal Awards
June 30, 2013

(1) Scope of Audit

The Town of Acton, Massachusetts (the Town) is a governmental agency established by the laws of the Commonwealth of Massachusetts.

All federal grant operations of the Town are included in the scope of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The single audit was performed in accordance with the provisions of OMB's Circular A-133, *Compliance Supplement*.

(2) Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes all of the federal grant transactions of the Town.

Federal grant revenues are recognized in the Town's governmental funds on the modified accrual basis of accounting whereby revenue is recognized when it becomes available and measurable.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

Board of Selectmen
Town of Acton
472 Main Street
Acton, MA 01720

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Town of Acton, Massachusetts' as of and for the year ended June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated February 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Acton, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Acton, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Acton, Massachusetts' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did issue a management letter dated March 12, 2014 that addresses issues (not significant deficiencies or material weaknesses) that we believe should be communicated to you.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Acton, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
February 7, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Selectmen
Town of Acton
472 Main Street
Acton, MA 01720

Report on Compliance for Each Major Federal Program

We have audited the Town of Acton, Massachusetts' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the Town of Acton, Massachusetts' major federal programs for the year ended June 30, 2013. The Town of Acton, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Acton, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Acton, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Acton, Massachusetts' compliance.

Basis for Qualified Opinion on the U.S. Department of Education - Special Education Cluster (CFDA # 84.027 and # 84.173)

As described in the accompanying schedule of findings and questioned costs, the Town of Acton, Massachusetts did not comply with requirements regarding allowable costs/cost principals, relating to the United States Department of Education grants, (Special Education cluster) Special Education – IDEA Allocation – CFDA #84.027, Early Childhood – CFDA #84.173 as explained in finding 2013-1. Compliance with such requirements is necessary, in our opinion, for the Town of Acton, Massachusetts to comply with the requirements applicable to that program.

Qualified Opinion on the U.S. Department of Education Special Education Cluster (CFDA # 84.027 and # 84.173)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Town of Acton, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the U.S. Department of Education - Special Education Cluster (CFDA # 84.027 and # 84.173) for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Town of Acton, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matters

The Town of Acton, Massachusetts' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Acton, Massachusetts' response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

The management of the Town of Acton, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Acton, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Acton, Massachusetts' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies that may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in

internal control over compliance described in the accompanying schedule of findings and questioned costs as Item #2013-1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Town of Acton, Massachusetts' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Acton, Massachusetts' response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

The purposes of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
February 7, 2014

Town of Acton, Massachusetts
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013
(Continued on Page 80)

I. Summary of Auditors' Results

1. The opinion on the Towns financial statements was unqualified.
2. No significant deficiencies in internal control were reported.
3. No instances of noncompliance that are material to the financial statements were reported.
4. A material weakness relating to a major program was reported (Finding 2013-1).
5. The opinion on compliance with requirements applicable to major programs is qualified.
6. A finding related to a major federal award program was reported (Finding 2013-1).
7. The major programs identified were:

<u>Funding Source</u>	<u>Program</u>	<u>CFDA#</u>
U.S. Department of Education	Education Jobs	84.410
U.S. Department of Education	SPED – IDEA Allocation	84.027
U.S. Department of Education	Special Education Program Improvement	84.027
U.S. Department of Education	Early Childhood	84.173

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee did not qualify as low risk.

II Findings- Financial Statement Audit

There were no findings reported relating to the financial statement audit.

Town of Acton, Massachusetts
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013
(Continued on Page 81)

III Findings and Questioned Costs for Federal Awards

Finding Number

2013-1

Program

U.S. Department of Education – Special Education Cluster – Special Education Grants to States (CFDA #84.027) and Special Education Pre School Grant (CFDA #84.173)

Finding

Time and Effort Certification

The School Department made significant improvement in obtaining the semiannual payroll certifications from its employees who were charged to federal grants. However, the backup documentation for semiannual certifications provided by one aide who worked on more than one grant (or function) was not sufficient to meet the “substitute documentation” requirements allowing for semiannual instead of monthly certifications. In addition, one staff employee who was partially charged to the grant was in the form of semiannual certifications instead of monthly personal activity reports.

The Office of Management and Budget (OMB) established documentation requirements (i.e. payroll certifications) in order to ensure that payroll charges to federal programs represent actual costs of the programs. In absence of signed timesheets to support payroll charges to federal grant programs, the United States Office of Management and Budget (OMB) Circular A-87 specifies that certain certifications must be made as noted below:

1. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.
2. Where employees work on multiple activities or cost objectives a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards (**unless the employees meet the criteria that allows for “substitute documentation” explained in #3 below**) :
 - a. They must reflect an after-the-fact distribution of the actual activity of each employee.
 - b. They must account for the total activity for which each employee is compensated.
 - c. They must be prepared at least **monthly** and must coincide with one or more pay periods.
 - d. They must be signed by the employee.
 - e. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards, but, may be used for interim accounting purposes when certain other requirements are met.

Town of Acton, Massachusetts
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013
(Continued from Page 80)

3. To be eligible to document time and effort under the substitute system (**which allows for semiannual certifications instead of monthly**), employees must -
- a. Currently work on a schedule that includes multiple activities or cost objectives that must be supported by monthly personnel activity reports;
 - b. Work on specific activities or cost objectives based on a predetermined schedule; and
 - c. Not work on multiple activities or cost objectives at the exact same time on their schedule.

Under the substitute system, in lieu of personnel activity reports, eligible employees may support a distribution of their salaries and wages through documentation of an established work schedule that meets the standards explained below. An acceptable work schedule may be in a style and format already used by an LEA.

Employee schedules must:

- a. Indicate the specific activity or cost objective that the employee worked on for each segment of the employee's schedule;
- b. Account for the total hours for which each employee is compensated during the period reflected on the employee's schedule; and
- c. **Be certified at least semiannually and signed by the employee and a supervisory official having firsthand knowledge of the work performed by the employee.**

Any revisions to an employee's established schedule that continue for a prolonged period must be documented and certified. The effective dates of any changes must be clearly indicated in the documentation provided.

Any significant deviations from an employee's established schedule, that require the employee to work on multiple activities or cost objectives at the exact same time, including but not limited to lengthy, unanticipated schedule changes, must be documented by the employee using a personnel activity report that covers the period during which the deviations occurred.

We recommend that the Town implement controls and procedures that will ensure that the time and effort certification requirements are met.

Corrective Action Plan

We have been working on the process to implement Time and Effort Certification according to the Guidelines. I have requested the first half of the fiscal year 2014 reports from our various departments involved in the grants to be kept on file in our Grant Manager's office.

Town of Acton, Massachusetts
Summary of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2013

Prior Year
Fiscal Year Ended
June 30, 2012

<u>Finding Number</u>	<u>Department</u>	<u>Program</u>	<u>C.F.D.A</u>	<u>Finding</u>	<u>Current Status</u>
2012-1	U.S. Department of Education	IDEA	84.027	Payroll certifications required	Payroll certifications were prepared for a majority of the employees. However, two employees did not have proper documentation.
		Early Childhood Grant	84.173	by OMB Circular A-87 were	
		ARRA IDEA	84.391	not available	
		ARRA Early Childhood	84.392		